2014

ANNUAL REPORT

Länsförsäkringar Liv

Länsförsäkringar

LÄNSFÖRSÄKRINGAR LIV

2014 IN BRIEF

In 2014, Länsförsäkringar Liv continued its work on strengthening the balance sheet and improving key figures. The measures taken were successful and the company succeeded in offsetting the negative effects of the interest-rate trend. Overall, both the capital situation and key figures were stable during 2014.

Profit amounted to SEK 1.9 billion (5.2). These positive earnings primarily resulted from asset management's positive contribution and changing conditions to New Trad. Falling long-term market interest rates had a negative impact on earnings.

The solvency ratio on 31 December amounted to 122%[1] (118). Collective consolidation was 120% (107) for Old Trad and 120% (115) for New Trad.

The bonus rate for Old Trad for 2014 was 1%. The bonus rate for New Trad was first raised on 1 January 2014 to 6% and again to 7% on 1 June.

The total return amounted to 9.4% (4.3) for New Trad and to 11.3% (neg: 3.0) for New World.

[1] A new model for calculating the solvency ratio was introduced in December 2014. The change entails that conditional bonuses are not fully included in liabilities, which is a change that better reflects the differences in the capital requirements between conditional bonus and life-assurance provisions. The new model is deemed to be fairer since conditional bonus absorbs a large portion of the effects in the event of a negative asset trend. The new model for calculating the solvency ratio meant that the solvency ratio increased 5 percentage points on 31 December 2014 compared with calculations under previous models.

MANAGED ASSETS

SEK 121 billion

NUMBER OF POLICIES

772,000

Länsförsäkringar Liv manages SEK 121 billion in traditional life assurance

Länsförsäkringar Liv is the Länsförsäkringar Alliance's life-assurance company for traditional management.

Länsförsäkringar Liv manages a total of SEK 121 billion divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. The operations are conducted in accordance with mutual principles, which entails that earnings are not distributed to owners; they remain with the company's customers.

LÄNSFÖRSÄKRINGAR IN BRIEF

Local companies with customers who are owners and the only principal

Länsförsäkringar comprises 23 local and customer-owned regional insurance companies and the jointly owned Länsförsäkringar AB with subsidiaries. Customers are provided with a complete solution for banking, insurance, pension and real-estate brokerage services through the regional insurance companies. The regional insurance companies are owned by the insurance customers – there are no external shareholders and customers' needs and requirements are always Länsförsäkringar's primary task. Long-term respect for customers' money and their security is fundamental. The Länsförsäkringar Alliance jointly has slightly more than 3.5 million customers and approximately 6,000 employees.

3.5 million customers

23 local regional insurance companies

Länsförsäkringar AB

Länsförsäkringar Bank AB	Länsförsäkringar Sak Försäkrings AB	Länsförsäkringar Fondliv Försäkrings AB	Länsförsäkringar Liv Försäkrings AB*

*The company is operated in accordance with mutual principles and is not consolidated in Länsförsäkringar AB.

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New Trad is a key activity

Statement by the President. It is gratifying to conclude that we successfully continued to stabilise the company. Our high guarantee commitments in the old traditional life-assurance product create large liabilities in the balance sheet, which means that a cautious management strategy over time is not beneficial to our customers. We succeeded in matching investment portfolios and could manage the record low interest rates are now a reality and that are negatively affecting the technical provisions of all life-assurance companies.

Historically low interest rates and relatively high guarantees mean that the success of New Trad is absolutely crucial and important for both individual customers and the entire company's customer collective. The conversion to New Trad was successful and, by year-end 2014, 47,000 customers with a total capital of SEK 7.5 billion had converted to New Trad. This investment portfolio is considerably more flexible and more diversified than the old portfolio and is expected to generate higher returns and bonuses over time. It also relieves the liabilities side of the balance sheet since the lower guaranteed interest rates reduce the need for technical provisions. New Trad is positive for most customers, although it is important that each customer makes a choice based on their own situation.

During the year, we maintained an even and high level for New Trad's bonus rate – it is 8% from January 2015. Key figures are generally strong for this portfolio. In Old Trad we need to be more cautious. Guarantee commitments are high, which demands a more cautious investment strategy. Accordingly, the bonus rate needs to be kept significantly lower since the solvency margin, which is currently high, will gradually decline as interest rates rise, and we must take a long-term approach when assessing bonus options. The bonus rate for Old Trad is 2% from January 2015.

The financial markets have been volatile, with sharply declining interest levels and a fluctuating trend on the stock markets. The global economy is out of sync. We see growth in the US, China with a lower growth level than in the past and Europe continuing to face problems in certain countries. There is also widespread geopolitical uncertainty in Ukraine and the Middle East that may impact the markets depending on how situations in these regions develop. Record low interest rate levels are already negatively affecting all life-assurance companies and the solvency strengthening that we are now endeavouring to achieve will, given current circumstances, have to take place by taking other measures. The discount rates and curves that we have today are, despite this, less volatile and more predictable due to the Solvency II regulations already affecting forecasts.

We are now approaching the full implementation of the Solvency II rules in 2016 and we have carried out extensive, solid work to produce our internal model that is to be approved by the Swedish Financial Supervisory Authority in 2015. The rules are comprehensive and will impose major demands on us, on the industry as a whole and on the Financial Supervisory Authority. Our internal model will, in the best and most correct manner, reflect the conditions for Länsförsäkringar Liv's capital requirements and the company's governance and reporting systems associated with Solvency II.

I hope and believe that in 2015 we will successfully continue with the conversion to New Trad and that the Financial Supervisory Authority will approve our internal model for capital requirement calculations under Solvency II. This will ensure that we can continue to develop and strengthen the company to the benefit of our customers.

Stockholm, February 2015

JÖRGEN SVENSSON
President of Länsförsäkringar Liv

BOARD OF DIRECTORS' REPORT

The Board of Directors and the President of Länsförsäkringar Liv Försäkringsaktiebolag (publ), Corporate Registration Number 516401-6627, hereby submit the Annual Report and consolidated financial statements for the 2014 fiscal year.

Ownership and Group structure

Länsförsäkringar Liv Försäkringsaktiebolag (publ), referred to below as Länsförsäkringar Liv, is a wholly owned subsidiary of Länsförsäkringar AB (Corporate Registration Number 556549-7020), which in turn is owned by the 23 regional insurance companies.

The company is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers. The company is not consolidated in the Länsförsäkringar AB Group. The Länsförsäkringar Liv Group comprises the Parent Company (Länsförsäkringar Liv), and a number of property management subsidiaries.

Focus of operations

Länsförsäkringar Liv is licensed to conduct life-assurance and health-insurance operations, as well as non-life insurance operations in the form of direct accident and health insurance. The products in the risk business contain life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit.

Länsförsäkringar Liv conducts traditional life assurance divided into four portfolios: New Trad, Old Trad, New World and Insured Pension. In traditional life assurance, customers' capital is normally invested in interest-bearing securities, equities, properties and alternative investments. Old Trad, where the main focus is to meet relatively high guarantee levels over the long term, comprises a cautious investment portfolio, of which more than 90% is invested in interest-bearing assets. The equities exposure in New Trad is higher and the percentage of interest-bearing assets during the year was about 60%. Investments in New World are normally comprised as follows: 30% interest-bearing securities and 70% equities.

Financial markets

From a global perspective, 2014 was characterised by geopolitical uncertainty in the Middle East and Ukraine, greater tension with Russia, bankruptcy negotiations with Argentina and falling interest rates and declining prices of commodities, with a particular focus on oil. The US economy improved during the year and the US labour market strengthened, albeit from low levels. It was also the driver of global growth in 2014.

The eurozone continued to suffer in the wake of the financial crisis and weak demand driven by an austere fiscal policy and debt absorption led to a very weak trend in both growth and inflation. Accordingly, during the year, the ECB introduced a negative Deposit Facility Rate, implemented targeted loans to banks and announced that it was prepared to implement quantitative easing. Europe's core problem was weaker competitiveness for certain countries in the European Monetary Union in relation to other Member States and to the rest of the world.

The Swedish economy remained split in two. Growth and employment trends were relatively positive. Similar to the preceding year, continued high unemployment was largely due to the sharp increase in the labour force. However, inflation again continued to surprise negatively and was negative for the full-year 2014. As a result, the Riksbank was once again forced to take action and lower its key interest rate to zero, and also announced that it expected to maintain a zero interest rate until 2016. Swedish market interest rates fell sharply during the year and the Swedish ten-year government bond rate ended at historically low levels of less than 1%.

Global stock markets rose during the year, led by the US. The Swedish stock market was strong, while the performance of emerging markets was more mixed, with India at the top end of the scale and Brazil at the bottom. The difference between government bond rates and the interest rate for mortgage bonds or other loans continued to decline in Sweden and Europe in 2014. However, the sharp decline in the price of oil resulted in rising interest-rate differences in the US due to the increasing credit risk in the energy sector.

Significant events during the year

Sharply falling Swedish interest rates emphasised the need for measures to strengthen solvency. Work on improving the company's capital situation continued in 2014. Changing conditions to New Trad is a key part of the efforts to increase the risk scope and generate customer value. During the year, the additional customer groups were sent the offer of voluntarily changing the conditions of their traditional insurance policies from Old Trad to New Trad. The conditions of a total of approximately 47,000 insurance policies, with a total insurance capital of SEK 7.5 billion, have now been changed.

As part of the preparations for the future Solvency II rules, Länsförsäkringar Liv has requested a preparatory review from the Swedish Financial Supervisory Authority for its partial internal model for calculating capital requirements. In 2014, the company received the positive ruling that the Financial Supervisory Authority had deemed the company's partial internal model to be reliable. Prior to the Solvency II rules coming into effect, Länsförsäkringar Liv will apply to use the model to report its Solvency Capital Requirement to thus be able to work with measures that are better aligned with the company's own risks than those in the standard formula contained in the rules.

The life-assurance operations was reorganised within Länsförsäkringar on 1 January 2014. With this new organisation, Länsförsäkringar Fondliv has, on Länsförsäkringar Liv's behalf, performed the operations of the life-assurance administration that were previously conducted by Länsförsäkringar Liv. In addition, Länsförsäkringar Fondliv took over claims adjustment and risk assessments, as well as management of operations-related IT systems that was previously performed by Länsförsäkringar AB. Länsförsäkringar Fondliv will then sell services to Länsförsäkringar Liv and the regional insurance companies.

In conjunction with Länsförsäkringar Fondliv taking over operations that were previously performed by Länsförsäkringar Liv, some employees were also transferred from Länsförsäkringar Liv to Länsförsäkringar Fondliv.

New standard for recognition of insurance contracts

In 2013, the IASB presented a revised draft of IFRS 4, a standard for recognising insurance contracts. The current standard permits valuations to be performed differently by different countries given that insurance companies may continue to recognise insurance contracts according to historical practice, which means that there are now differences in how insurance contracts are recognised in the EU. Work on preparing a new, joint standard commenced back in 2007. A proposal was presented in 2010 entailing a number of major changes, for example, that insurance contracts were to be valued at market value and liabilities built up according to the Building Block method. This valuation technique would mean that all or parts of the collective consolidation fund would be recognised as a liability, which was called into question by the industry. Another basis was that profit margins on insurance contracts were to be allocated over the term of the insurance contract.

The IASB is working to complete a final standard, taking into account the opinions submitted by the industry. The final standard is expected to be published in 2015. The standard is scheduled to come into effect for fiscal years beginning on or after 1 January 2019 following a transition period that is expected to have a duration of three years. The standard will become part of EU law after it is adopted by the European Commission.

The effects of IFRS 4 for Länsförsäkringar Liv will be analysed in a Group-wide project planned for the autumn of 2015.

Solvency II – risk-based regulatory requirements from 2016

The EU reached an agreement on the modernisation of regulatory requirements for insurance companies, known as Solvency II, at the end of 2009. These changed Solvency II rules are extensive and affect a number of areas of the insurance companies' operations. The new rules place more rigorous demands on governance and risk control. The rules also stipulate that the requirements for minimum buffer capital must be better adjusted to the individual insurance company's actual level of risk. A standard formula or an internal model can be used to calculate capital requirements under Solvency II. The latter is based on the company's own risks. An internal model is to be approved by the Swedish Financial Supervisory Authority before being used to calculate and report the Solvency Capital Requirement.

The Solvency II regulations apply from 1 January 2016. However, from as early as 1 January 2014, companies encompassed by the Solvency II rules are to apply the preparatory guidelines issued by EIOPA. The guidelines comprise the following areas: 1) system of governance, including risk management system, 2) a forward-looking assessment of the undertaking's own risks (ORSA), 3) pre-application of internal models and 4) reporting to supervisors.

Länsförsäkringar Liv and other subsidiaries of Länsförsäkringar AB have made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar Liv essentially meets the requirements of the EIOPA's guidelines. This work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns. During the year, Länsförsäkringar Liv received a ruling that the Financial Supervisory Authority had deemed the company's partial internal model to be reliable and the company will apply for permission to use the model to report its Solvency Capital Requirement prior the Solvency II regulations coming into effect.

Earnings and financial position

Profit for the Länsförsäkringar Liv Group amounted to SEK 1,903 M (5,174). These earnings were the result of the positive contribution from changing conditions to New Trad, active contributions from asset management plus a risk and administration gains.

Falling interest rates in 2014 contributed negatively to earnings. The decline in interest rates affected the technical liabilities since they are discounted by the market interest rate. Investment income was positive since the company decided to protect its technical liabilities against interest-rate changes using fixed-income investments. Long-term, interest-bearing investments increased in value when interest rates fell. The negative net earnings between liability changes and investment income due to the decline in interest rates was thus the result of a deliberate strategy for how assets were matched against liabilities.

The introduction of New Trad positively impacted earnings. Changing conditions to New Trad means that the guaranteed commitments decline, which in turn has a positive effect on liabilities and earnings. Lower liabilities also provide greater scope for investments with higher expected returns.

Net investment income included in profit and loss was SEK 12,023 M (neg: 1,744). The total return in Länsförsäkringar Liv's Old Trad portfolio was 11.3% (neg: 3.0). The total return amounted to 9.4% (4.3) for New Trad and to 8.7% (13.5) for New World.

Premium income

Premium income in Länsförsäkringar Liv in 2014 amounted to SEK 2,639 M (3,388), down 22%. The insurance portfolio has declined since new sales were discontinued. External transfers, paid-up insurance and no new additions of insurance resulted in the portfolio declining. Payments continued to be made for premium paying insurance policies in the portfolio, but premium income is declining as the number of insurance policies reduces. One-off payments have essentially ceased since new sales were discontinued, which also adversely affected premium income.

Claims payments

Claims paid amounted to SEK 6,627 M (7,645). The amount includes the value of transfers of SEK 1,838 M (3,061) from Länsförsäkringar Liv. Of capital transferred from Länsförsäkringar Liv, SEK 1,280 M (2,395) went to Länsförsäkringar Fondliv.

Change in technical provisions

Technical provisions amounted to SEK 97,172 M (91,585) at year-end. The increase was due to falling long-term Swedish interest rates during the year, while external transfers and changing conditions to New Trad reduced provisions.

Asset Management

Net investment income was SEK 12,023 M (neg: 1,744). Investment assets according to the balance sheet including conditional bonus rose to SEK 121,808 M (112,755) during the year.

New Trad

New Trad entails that customers are offered the opportunity to change the conditions of their traditional insurance policies. The new conditions entail lower guarantee levels combined with lower fees, which allow a changed investment mix with higher expected returns and improved opportunities for future increases in the value of savings. Additional customer groups at Länsförsäkringar Liv were offered the option of changing the conditions of their traditional insurance to New Trad during 2014. The offer was sent to customers with a total insurance capital of SEK 35 billion, of which SEK 7.5 billion changed the conditions of their insurance to New Trad. These insurance policies had managed assets of SEK 8.6 billion at year-end.

New Trad has a separate investment portfolio. Due to the broader risk scope in New Trad, the portfolio has a larger percentage of assets with higher expected returns than the Old Trad portfolio. On 31 December 2014, asset allocation in New Trad portfolio was: 58% in interest-bearing securities, 30% equities, 7% in alternative investments and 5% in property. The return on the various asset classes was as follows: interest-bearing securities 5.8% (neg: 3.8), equities 10.1% (21.6), alternative investments 6.4% (4.7) and properties 41.5% (neg: 4.0). Investment income for New Trad amounted to 9.4% (4.3) in 2014.

At year-end, collective consolidation for New Trad was 120% (115) and the bonus rate was 7%. The bonus rate was an average of 6.6% during 2014.

Old Trad

No major changes were made to the investment mix for Old Trad during 2014. A narrow risk scope meant that the percentage of long-term interest-bearing investments remained high. On 31 December 2014, asset allocation in Old Trad was as follows: 90% in interest-bearing securities, 2% in equities, 6% in alternative investments and 2% in property. The return on the various asset classes was as follows: Interest-bearing securities 11.1% (neg: 3.8), equities 21.0% (21.6), alternative investments 6.1% (4.7) and properties 2.6% (neg: 4.0). The duration of the fixed-income portfolio in 2014 was essentially unchanged. Managed assets in Old Trad amounted to SEK 97.6 billion and the return was 11.3% (neg: 3.0).

Collective consolidation in Old Trad amounted to 120% (107) at year-end. The bonus rate for Old Trad was 1% for all of 2014. The average bonus rate for Old Trad in the past ten years was 3.7%.

New World

In the New World management form, approximately 30% of customers' capital is normally invested in bonds and 70% in Swedish and foreign equities. New World is a traditional insurance policy whereby customers are guaranteed to recoup at least the premiums paid, subject to deductions for expenses and yield tax. Managed assets in New World amounted to SEK 12.7 billion.

The return in New World during 2014 was positive, and particularly equities investments in mature markets contributed to the positive result. The return in December 2014 amounted to 8.7% (13.5).

Insured Pension

Insured Pension combines opportunities to profit from stock-market upswings, while protecting from stock-market slumps. Savings comprise a bond that extends over the entire savings period and a fund that follows the trends on the stock markets. As a result, the savings perform differently for different savers. Managed assets in Insured Pension amounted to SEK 1.7 billion.

Risk operations

Risk operations comprise life-assurance, health-insurance and non-life insurance products. These products contain life-assurance cover, old-age pensions, survivor's protection, accident and health-insurance cover and invalidity benefit. From 2013, essentially all new policies underwritten in risk insurance were transferred from Länsförsäkringar Liv to Länsförsäkringar Fondliv.

The risk result for Länsförsäkringar Liv amounted to SEK 238 M (346). The weaker earnings were largely due to a lower premium income and the negative effect of interest rates. At the same time, changed assumptions reduced the need for reserves. A new method for distributing investment income to the risk products was introduced at the start of the year. A standard rate for investment income that is appropriate for the risk and duration of the business is used instead of the return in Old Trad. The claims ratio totalled 54% (54). The risk-cover capacity that provides suitable protection for customers is ensured by Länsförsäkringar's own retention and an extensive reinsurance programme. The reinsurance programme comprises an obligatory component whereby a certain quota of business is automatically reinsured, and a voluntary component whereby individual risks are reinsured, and catastrophe insurance in the event of a unique major event. A large part of the reinsurance programme was managed internally within the Länsförsäkringar Alliance until 2014.

Solvency

Solvency shows the company's financial strength in relation to the guaranteed commitments to customers. Solvency in Länsförsäkringar Liv is measured using the solvency rate and solvency ratio. The solvency rate measures the ratio between the capital base and required solvency margin, while the solvency ratio measures total assets in relation to the company's guaranteed commitments to policyholders. Länsförsäkringar Liv has worked actively since the start of 2011 on measures to strengthen its solvency. The company followed a plan for solvency-strengthening measures decided by the Board. The plan contained a number of measures for enhancing the efficiency of the company's operations and balance sheet. Strengthened solvency would provide the company with greater flexibility and the option of investing in asset classes with higher expected returns.

In 2014, the investment portfolio was well matched against liabilities to protect the company's surplus against falling interest rates. Part of the matching strategy in 2014 was to generate a certain surplus when interest rates rise. Interest rates fell during the year, which led to a cost for the company since liabilities increased more than investment income. The company's solvency ratio was stable despite sharp declines in interest rates due to the measures taken during the year. New Trad, with its lower guarantees, was an important part of this work. The historically low interest rates remain a major burden for the company and continue to require measures to strengthen solvency.

The solvency rate was 4.2 (4.3) and the solvency ratio was 122% (118) on 31 December 2014. A new model for calculating the solvency ratio was introduced at Länsförsäkringar Liv on 31 December 2014. The change entails that conditional bonuses are not fully included in liabilities, which is an adjustment to the rules for calculating the solvency rate and better reflects the differences in the capital requirements between conditional bonus and life-assurance provisions. The new model is deemed to be fairer since conditional bonus can absorb a large portion of the effects of the capital base in the event of a negative asset trend. The change does not impact the calculation of the capital ratio. The new model for calculating the solvency ratio meant that the solvency ratio increased 5 percentage points.

Debt coverage

The debt coverage ratio for private insurance amounted to 117% (117) and for occupational pensions to 117% (117).

Five-year summary

The five-year summary is on page 9.

Risks and risk management

One of the key objectives for Länsförsäkringar Liv is to ensure that the company can meet its guaranteed commitments to customers by a satisfactory margin. This particularly applies to Old Trad where guarantees are relatively high. The historically low interest rates place even higher requirements on the company's risk management. Accordingly, risk-taking is an integrated part of the governance of the operations, and aims at maintaining a satisfactory balance between the level of risk and the conditions for generating returns. The company also works with prospective analyses to ensure long-term capitalisation.

Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks. The risks that entail the highest capital requirement under market risks are: credit risk (spread risk), equities risk and interest-rate risk, and market risks are limited by applying limits to capital requirements from the investment activities. The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital adequacy requirements by a healthy margin.

In 2014, Länsförsäkringar Liv introduced and applied risk management using the EIOPA's guidelines on Solvency II preparations and has made significant progress in its preparations and is well equipped for the new requirements. Refer also to note 2 Risks and risk management.

Employees

Leadership and performance

Dedicated employees, active change management, a positive work environment and competent leadership are important prerequisites for Länsförsäkringar Liv in order to achieve results. An employee survey is conducted once per year, with a focus on feeding back the results and a joint improvement process. The results of this year's employee survey revealed a higher index in all question areas compared with Swedish companies.

Employeeship at Länsförsäkringar Liv means taking responsibility for one's own performance, competencies and health, which is stated in the personnel policy and the company's performance management work model. The basis for all employee performance and development, in both the short and long term, is the business plan and values. Employees receive continuous feedback on their performance at follow-up talks with their immediate manager.

An employee profile based on values was drawn up in 2014 with participation from both employees and managers. The aim of this profile is for it to help clarify employee responsibility in terms of performance, competencies and health. The employee profile will be introduced into the operations in 2015. A clearly defined leader profile provides guidance for the company's leaders. The leader profile was produced in 2013 and introduced in the operations during the year by arranging training camps for about 180 managers.

Another key issue followed up in the employee survey is that Länsförsäkringar Liv is perceived to be an equal opportunity workplace by both women and men.

Health

The company's basic outlook is that physical activity at work increases efficiency and improves social cohesion, and that investing in health is an important part of being an attractive employer. It also helps to reduce sickness absence. Generous preventive health care benefits are offered and employees can exercise for one hour a week during working hours.

The company pays health care insurance for employees that provides rapid access to private health care. Through this insurance policy, employees receive medical consultations, personal counselling and preventive health services that include a health profile and healthy programme for quitting smoking, reducing stress and leading a healthier lifestyle.

Personnel, salaries and remuneration

Information regarding the average number of employees, salaries and remuneration, as well as details concerning salary and other remuneration of corporate management, are provided in note 9 Employees, staff costs and remuneration of senior executives. In accordance with the regulations and general advice of the Financial Supervisory Authority (FFFS 2011:2) regarding remuneration policies in insurance companies, stock exchanges, clearing organisations and institutes for issuing electronic money, the Board of Directors of Länsförsäkringar Liv adopted a remuneration policy. It is intended that a statement of remuneration in the company be published on the website when the Annual Report is adopted.

Environment

Länsförsäkringar Liv takes an environmental approach through the organisation by reducing its impact on the environmental and ensuring that its operating activities are environmentally compatible. This approach is applied to the company's internal office operations and to coordinating environmental activities for the regional insurance companies throughout Sweden. The Parent Company Länsförsäkringar AB's environmental management system has held ISO 14001 certification since 2004. Certification is verified every year by an external company. Qvalify AB has audited the company's environmental management system for three years. Internal environmental audits help to further environmentally adapt the operations by reviewing environmental efforts every year based on internal guidelines. All regional insurance companies also hold ISO 14001 certification. This certification means that, for example, the company has a structure and sustainable method for working on environmental issues integrated into the operating activities. Länsförsäkringar Liv's environmental effort is conducted in several areas with specific and measurable targets.

In accordance with the company's environmental policy, Länsförsäkringar Liv assumes its responsibility for the negative impact on the environment that arises in the operations. The areas in which the company has the greatest direct impact on the environment is business travel, paper print-outs produced in the offices and information and documentation sent to customers. Business travel results in, for example, emissions of the greenhouse gas, carbon dioxide. To reduce the environmental impact, train travel is increasingly used for business trips according to the travel guidelines that apply for the entire company. To reduce the amount of business travel, investments were also made in technical equipment that will allow meetings to be held through digital channels. Company cars meet the company's definition of green cars, and the company has also installed charging stations for electric cars in its own car parks to stimulate the use of cars that do not operate on fossil fuels. Opportunities to borrow bikes and public transport travel cards for journeys throughout the day also provide an incentive for environmentally friendly travel.

To reduce the consumption of paper, digital solutions are being developed. Development of the online channel provides major opportunities for reducing paper-based communication, while simultaneously improving the information quality. Increasingly transferring to digital customer documents is a long-term effort. In addition to reducing the environmental impact of paper manufacturing and transportation of paper-based communication, information is more accessible to customers.

Work is being conducted as part of continuously enhancing environmental performance and reducing electricity consumption to analyse when workplaces are used and how much electricity is used by computers and screens. The analysis resulted in measures to ensure that equipment is used more energy efficiently. A another key function that also has an environmental impact is the purchasing of products and services. According to the company's purchasing policy, the environmental impact of purchasing processes will be minimised. Continuous efforts are thus taking place to develop environmental standards for all categories of purchasing and procurement.

Responsible investments

Länsförsäkringar Liv's investments follow Länsförsäkringar's ethical guidelines that are based on international conventions on the areas of environment, human rights, child labour, labour law, corruption and controversial weapons. Under Länsförsäkringar Liv's owner policy, no direct investments are made in companies that conduct operations in controversial weapons, such as cluster munitions, landmines and nuclear weapons. At the end of 2014, Länsförsäkringar AB singed the United Nations-supported Principles for Responsible Investment. All investments in equities and credit bonds are analysed with the assistance of an external consultant to identify companies that breach international conventions. There are two main alternatives in the event of contraventions of guidelines or when the company has identified doubts – divest the asset or seek to influence the company through lobbying and dialogue. Länsförsäkringar Liv primarily makes use of dialogue and lobbying to influence companies to act responsibly.

Significant events after the end of the fiscal year

The bonus rate for New Trad was adjusted from 7% to 8% on 1 January 2015 and for Old Trad from 1% to 2%. This adjustment was possible due to the high collective consolidation and returns that covered the bonus rate by a very healthy margin in 2014.

Expectations regarding future development

Länsförsäkringar Liv followed an established plan for strengthening the balance sheet and improving key figures. The measures taken offset the negative effects of sharply falling interest-rates during the year. These measures had the anticipated positive effects and resulted in the balance sheet and key figures being stable during the year, despite the interest-rate trend. The company sees a continued need to take measures to strengthen the balance sheet and key figures. Current historically low interest rates entails a severe strain on the company's balance sheet since liabilities are discounted at the market interest rate and low interest rates thus increase liabilities to policyholders. With the current capital situation, the opportunities for investing savers' capital are limited by the narrow risk scope in Old Trad. The investment portfolio for Old Trad, of which more than 90% comprises interest-bearing investments, is deemed to contain too low a level of high-yield assets to generate the returns expected by customers over time. Broader risk scope provides greater freedom and enables investments with higher expected returns. For this reason, efforts to strengthen the balance sheet will remain the company's most important target for creating customer value.

Changing conditions to New Trad is an activity that continues to be considered to have a great positive effect on solvency and for the company's customers. The offer will be expanded to further customer groups at Länsförsäkringar during 2015. Additional activities for strengthening the balance sheet alongside New Trad are planned and will take place during 2015.

Lower tax deduction rights for private pension insurance from 2015 will have an adverse effect on premium income.

Proposed appropriation of profit

The proposed appropriations as specified below will be presented to, and the income statement and balance sheet for the Group and Parent Company will be adopted at, the Annual General Meeting in May 2015.

Group

Total equity for the Group amounted to SEK 17,537 M at year-end. No provision to restricted reserves in the subsidiaries is proposed.

Parent Company

In 2014, recognised profit amounted to SEK 1,966,119,447.

The Board of Directors and the President propose that net profit for the year be appropriated as follows, SEK:

Net profit for the year	1,966,119,447
Total	**1,966,119,447**

Of the above net amount, withdrawals from (–) and provision to (+) the collective consolidation fund are proposed as follows, SEK.

Defined-contribution occupational pension insurance	497,904,165
Occupation-linked health insurance and premium exemption	31,922,691
Individual traditional life assurance	1,428,929,209
Non-cancellable accident and health insurance and premium exemption	233,619
Cancellable group accident insurance	8,935,728
Group life assurance and employment group life assurance	–1,805,965
Total	**1,966,119,447**

TOTAL RETURN TABLE

Investment assets in Old Trad, SEK M	Total return, %	Market value, 31 Dec 2014	%	Market value, 31 Dec 2013	%
Interest-bearing	11.1	88,145	90.3	89,752	92.0
Equities	21.0	1,777	1.8	1,677	1.7
Alternative investments[1]	6.1	6,204	6.4	4,265	4.4
Property	2.6	1,446	1.5	1,832	1.9
Total	**11.3**	**97,572**	**100**	**97,526**	**100**

Investment assets in New Trad, SEK M	Total return, %	Market value, 31 Dec 2014	%	Market value, 31 Dec 2013	%
Interest-bearing	5.8	4,965	57.8	1,809	59.8
Equities	10.1	2,588	30.1	912	30.2
Alternative investments[1]	6.4	580	6.8	156	5.2
Property	41.5	458	5.3	146	4.8
Total	**9.4**	**8,591**	**100**	**3,022**	**100**

Investment assets in New World, SEK M	Total return, %	Market value, 31 Dec 2014	%	Market value, 31 Dec 2013	%
Interest-bearing	6.0	3,336	26.3	3,959	30.5
Equities	9.5	9,367	73.7	9,038	69.5
Total	**8.7**	**12,703**	**100**	**12,997**	**100**
Total		**118,866**		**113,545**	

RECONCILIATION TOTAL RETURN TABLE WITH BALANCE SHEET

	31 Dec 2014	31 Dec 2013
Shares and participations in Group companies	671	579
Interest-bearing securities issued by Group companies and loans to Group companies	4,483	7,003
Shares and participations in associated companies	225	251
Shares and participations	12,348	10,276
Bonds and other interest-bearing securities	90,535	84,130
Loans with collateral in fixed property	1,805	1,745
Derivatives	5,517	2,846
Other financial investment assets	767	56
Assets for conditional bonus	5,837	5,978
Cash and cash equivalents	3,864	3,648
Accrued interest and rental income	938	748
Derivatives, liabilities	–5,142	–2,611
Total	**121,848**	**114,649**
Adjustments		
Shares and participations in Group and associated companies and loans to Group companies	–1,689	–1,790
Market value, property	1,318	1,655
Cash and cash equivalents not included in total return table	–890	–381
Insured Pension	–1,667	–1,163
Other	–54	575
Total	**118,866**	**113,545**

[1] The valuation of alternative investments on 31 December is based on the most recent information from fund managers.

Five-year summary

	2014	2013	2012	2011	2010
Earnings, Group, SEK M					
Premium income for own account	2,639	3,388	4,319	6,514	6,700
Investment income, net	12,023	–1,744	7,659	4,530	7,654
Claims payments	–6,627	–7,645	–7,491	–5,432	–4,354
Disbursed and balanced bonus	–1,475	–1,888	–1,891	–1,669	–1,591
Technical result, insurance operations	2,248	5,495	5,447	–12,226	4,670
Net profit/loss for the year	1,903	5,174	4,872	–13,063	3,716
Financial position, SEK M					
Financial assets measured at fair value, Group	115,971	106,777	121,964	113,920	105,872
Technical provisions, net in the Group	97,172	91,585	104,942	106,913	83,446
Solvency capital, Parent Company	17,651	17,226	13,970	10,981	34,065
Of which, surplus value in Group companies and associated companies	341	395	412	483	1,964
Of which, deferred tax	–	–	–	7	107
Collective consolidation capital, Parent Company	16,895	6,309	10,325	8,772	6,397
Capital base, Parent Company	17,310	16,831	13,558	10,498	32,101
Required solvency margin, Parent Company	4,214	3,991	4,527	4,580	3,652
Capital base for the insurance group[3]	7,619	–	–	–	–
Required solvency margin for the insurance group[3]	6,293	–	–	–	–
Key figures for Parent Company, % unless otherwise specified					
Management cost ratio	0.4	0.3	0.3	0.6	0.6
Direct yield	1.5	2.7	4.8	7.7	4.1
Total return, Old Trad	11.3	–3.0	6.1	6.5	4.1
Total return, New World[1]	8.7	13.5	12.2	–3.8	8.9
Total return, New Trad	9.4	4.3	–	–	–
Collective consolidation ratio, Old Trad	120	107	111	109	107
Collective consolidation ratio, New Trad	120	115	–	–	–
Solvency ratio[2]	122	118 (123)	113 (116)	111 (114)	141 (141)
Solvency rate, multiple	4.2	4.3	3.1	2.4	9.3
Bonus rate before tax and expenses, Old Trad	1.0	0.2	0.0	4.0	6.2
Bonus rate after tax, average, Old Trad					
Endowment insurances (tax rate 30%)	0.37	–0.28	–0.50	3.25	5.33
Pension insurances (tax rate 15%)	0.70	–0.06	–0.39	3.59	5.70
Bonus rate before tax and expenses, New Trad	6.6	5.0	–	–	–
Bonus rate after tax, average, New Trad					
Pension insurances (tax rate 15%)	6.28	4.77	–	–	–

1) The calculation of total return in New World changed from 2014 and comparative figures for 2013 have been restated. In the new calculation method, all items that benefit customers are included in total returns.

2) A new model for calculating the solvency ratio was introduced in December 2014. The change entails that conditional bonuses are not fully included in liabilities, which is a change that better reflects the differences in the capital requirements between conditional bonus and life-assurance provisions. The new model is deemed to be fairer since conditional bonus absorbs a large portion of the effects in the event of a negative asset trend. The new model for calculating the solvency ratio meant that the solvency ratio increased 5 percentage points on 31 December 2014 compared with calculations under previous models. Restated comparative figures are presented in parentheses.

3) From 2014, Länsförsäkringar Liv is included in an insurance group for Länsförsäkringar AB (publ) together with Länsförsäkringar Sak and Länsförsäkringar Fondliv. The reason for the new insurance group is an amendment to the Swedish Insurance Business Act (2010:2043) that came into effect on 1 August 2013 (Act on Amendments to Insurance Business Act (2010:2043) (2013:672)), but that applied from 1 January 2014 based on transition rules. This is the reason why no comparative figures are presented for the capital base and the capital requirement.

Financial statements

Income statement

TECHNICAL RECOGNITION OF LIFE-ASSURANCE OPERATIONS		Group		Parent Company	
SEK M	**Note**	**2014**	**2013**	**2014**	**2013**
Premium income					
Premium income before ceded reinsurance	3	2,932	3,698	2,932	3,698
Premiums for ceded reinsurance		–293	–310	–293	–310
Total premium income after ceded reinsurance		**2,639**	**3,388**	**2,639**	**3,388**
Investment income, revenue	4	**5,459**	**4,172**	**5,648**	**4,073**
Unrealised gains on investment assets	5	**9,920**	**996**	**9,920**	**996**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus		377	139	377	139
Claims payments					
Claims paid before ceded reinsurance	6	–6,702	–7,885	–6,702	–7,885
Reinsurers' portion		136	140	136	140
Total claims paid after ceded reinsurance		**–6,566**	**–7,745**	**–6,566**	**–7,745**
Change in provision for claims outstanding before ceded reinsurance		–83	101	–83	101
Reinsurers' portion		21	–1	21	–1
Total change in provision for claims outstanding after ceded reinsurance		**–61**	**100**	**–61**	**100**
Total claims payments after ceded reinsurance		**–6,627**	**–7,645**	**–6,627**	**–7,645**
Change in other technical provisions after ceded reinsurance					
Life-assurance reserve	26	–5,501	13,259	–5,501	13,259
Technical provisions for life assurance for which the policyholder bears the risk					
Conditional bonus		137	–1,417	137	–1,417
Operating expenses	7, 8, 9	**–423**	**–347**	**–421**	**–359**
Investment income, expenses	10	**–3,716**	**–1,442**	**–3,853**	**–1,326**
Unrealised losses on investment assets	11	**–17**	**–5,608**	**–17**	**–5,608**
Technical result, life-assurance operations		**2,248**	**5,495**	**2,302**	**5,500**
NON-TECHNICAL RECOGNITION					
Technical result, life-assurance operations		2,248	5,495	2,302	5,500
Other non-technical expenses		–347	–281	–	–
Profit before tax/Profit before appropriations and tax		**1,901**	**5,214**	**2,302**	**5,500**
Tax allocation reserve		–	–	12	74
Tax	12	2	–40	–348	–338
NET PROFIT FOR THE YEAR		**1,903**	**5,174**	**1,966**	**5,236**

Statement of comprehensive income

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Net profit for the year	**1,903**	**5,174**	**1,966**	**5,236**
Other comprehensive income				
Items that cannot be transferred to profit and loss				
Revaluation of defined-benefit plans	–9	–1	–	–
Total other comprehensive income for the year, net after tax	–9	**–1**	–	**–**
Comprehensive income for the year	**1,894**	**5,173**	**1,966**	**5,236**

Performance analysis 2014

SEK M	Total	Direct insurance in Sweden Occupational pension	
		Defined-contribution insurance	Health insurance & premium exemption
Premium income before ceded reinsurance	**2,932**	**1,458**	**411**
Premiums for ceded reinsurance	–293	–33	–151
Total premium income after ceded reinsurance	**2,639**	**1,425**	**260**
Investment income, revenue	**5,648**	**2,923**	**33**
Unrealised gains on investment assets	**9,920**	**5,085**	**–**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk			
Conditional bonus	377	–	–
Claims payments			
Claims paid before ceded reinsurance	–6,702	–3,463	–192
Reinsurers' portion	136	15	49
Total claims paid after ceded reinsurance	**–6,566**	**–3,447**	**–143**
Change in provision for claims outstanding before ceded reinsurance	–83	–	–88
Reinsurers' portion	22	–	–21
Total change in Provision for claims outstanding after ceded reinsurance	**–61**	**–**	**–109**
Total claims payments after ceded reinsurance	**–6,627**	**–3,447**	**–252**
Change in other technical provisions before ceded reinsurance			
Life-assurance reserve	–5,501	–3,233	1
Technical provisions for life assurance for which the policyholder bears the risk			
Conditional bonus	137	165	–
Operating expenses	**–421**	**–224**	**–6**
Investment income, expenses	**–3,853**	**–2,019**	**–**
Unrealised losses on investment assets	**–17**	**–9**	**–**
Technical result, life-assurance operations	**2,302**	**667**	**37**
Tax allocation reserve	12	–	16
Tax	–348	–169	–21
NET PROFIT FOR THE YEAR	**1,966**	**498**	**32**
Run-off result	555	–	459
Technical provisions, before ceded reinsurance			
Life-assurance reserves	94,884	50,448	5
Provision for claims outstanding	2,288	15	1,167
Total	**97,172**	**50,463**	**1,172**
Provisions for life assurance for which the policyholder bears the insurance risk			
Conditional bonus	5,837	4,062	–
Reinsurers' portion of technical provisions			
Provision for claims outstanding	476	2	291
Collective consolidation funds	**21,665**	**4,393**	**1,420**

The company has changed its method for distributing investment income in the performance analysis, entailing that the risk portfolio is allocated a standardised calculation of the return from the Old Trad portfolio corresponding to a market interest rate that reflects a potential management portfolio adapted to the nature of the risk profile. The returns were previously allocated from the Old Trad portfolio to the risk portfolio at a percentage of the technical provision and bonuses. The change applies from 2014.

Performance analysis 2014, cont.

SEK M	Direct insurance in Sweden Other life assurance			
	Individual traditional insurance	Non-cancellable accident and health insurance	Cancellable Group accident insurance	Group life assurance and Employment group life assurance
Premium income before ceded reinsurance	**926**	**109**	**1**	**26**
Premiums for ceded reinsurance	–56	–52	–	–
Total premium income after ceded reinsurance	**870**	**57**	**1**	**26**
Investment income, revenue	**2,665**	**25**	**0**	**2**
Unrealised gains on investment assets	**4,835**	**–**	**–**	**–**
Increase in value of investment assets for which the life-assurance policyholder bears the investment risk				
Conditional bonus	377	–	–	–
Claims payments				
Claims paid before ceded reinsurance	–2,877	–148	–7	–15
Reinsurers' portion	37	35	–	–
Total claims paid after ceded reinsurance	**–2,840**	**–114**	**–7**	**–15**
Change in provision for claims outstanding before ceded reinsurance	–	5	–	0
Reinsurers' portion	–	43	–	–
Total change in Provision for claims outstanding after ceded reinsurance	**0**	**48**	**–**	**0**
Total claims payments after ceded reinsurance	**–2,840**	**–66**	**–7**	**–15**
Change in other technical provisions before ceded reinsurance				
Life-assurance reserve	–2,269	0	0	–
Technical provisions for life assurance for which the policyholder bears the risk				
Conditional bonus	–28	–	–	–
Operating expenses	**–161**	**–17**	**0**	**–15**
Investment income, expenses	**–1,834**	**–**	**–**	**–**
Unrealised losses on investment assets	**–8**	**–**	**–**	**–**
Technical result, life-assurance operations	**1,607**	**0**	**–6**	**–2**
Tax allocation reserve	–	0	–3	–1
Tax	–178	1	18	1
NET PROFIT FOR THE YEAR	**1,429**	**0**	**9**	**–2**
Run-off result	–	96	–	–
Technical provisions, before ceded reinsurance				
Life-assurance reserves	44,426	5	0	–
Provision for claims outstanding	65	969	–	72
Total	**44,491**	**974**	**0**	**72**
Provisions for life assurance for which the policyholder bears the insurance risk				
Conditional bonus	1,775	–	–	–
Reinsurers' portion of technical provisions				
Provision for claims outstanding	4	179	–	–
Collective consolidation funds	**14,719**	**1,043**	**24**	**66**

The company has changed its method for distributing investment income in the performance analysis, entailing that the risk portfolio is allocated a standardised calculation of the return from the Old Trad portfolio corresponding to a market interest rate that reflects a potential management portfolio adapted to the nature of the risk profile. The returns were previously allocated from the Old Trad portfolio to the risk portfolio at a percentage of the technical provision and bonuses. The change applies from 2014.

Balance sheet

		Group		Parent Company	
ASSETS, SEK M	Note	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Property and equipment					
Property and equipment	13	2	1	2	1
Total property and equipment		**2**	**1**	**2**	**1**
Investment assets					
Investment property	14	1,092	1,427	–	–
Investments in Group companies and associated companies					
Shares and participations in Group companies	15	–	–	671	579
Interest-bearing securities issued by Group companies and loans to Group companies	16	3,696	6,043	4,483	7,003
Shares and participations in associated companies	17	211	252	225	251
Other financial investment assets					
Shares and participations	18	12,348	10,276	12,348	10,276
Bonds and other interest-bearing securities	19	90,535	84,130	90,535	84,130
Loans with collateral in fixed property		1,805	1,745	1,805	1,745
Derivatives	20	5,517	2,846	5,517	2,846
Other financial investment assets		767	56	767	56
Total investment assets		**115,971**	**106,777**	**116,351**	**106,887**
Investment assets for which the life-assurance policyholder bears the investment risk					
Assets for conditional bonus	21	5,837	5,978	5,837	5,978
Reinsurers' portion of technical provisions					
Provision for claims outstanding		476	605	476	605
Receivables					
Other receivables	22	1,574	2,003	1,563	1,857
Total receivables		**1,574**	**2,003**	**1,563**	**1,857**
Other assets					
Deferred tax assets	12	0	0	–	–
Current tax assets		64	60	64	60
Cash and cash equivalents		3,864	3,648	3,864	3,648
Total other assets		**3,928**	**3,708**	**3,928**	**3,708**
Prepaid expenses and accrued income					
Accrued interest and rental income	23	938	748	938	748
Prepaid acquisition costs	24	257	336	257	336
Other prepaid expenses and accrued income		0	0	0	0
Total prepaid expenses and accrued income		**1,195**	**1,084**	**1,195**	**1,084**
TOTAL ASSETS		**128,983**	**120,155**	**129,352**	**120,119**

Balance sheet, cont.

EQUITY, PROVISIONS AND LIABILITIES, SEK M	Note	Group		Parent Company	
		31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Equity					
Share capital	25	8	8	8	8
Collective consolidation fund		15,635	11,935	14,816	11,055
Other reserves					
Equity method reserve		–	2	–	–
Net profit for the year		1,894	5,173	1,966	5,236
Total equity		**17,537**	**17,118**	**16,790**	**16,299**
Untaxed reserves					
Tax allocation reserve		–	–	520	532
Technical provisions before ceded reinsurance					
Life-assurance reserve	26	94,884	89,383	94,884	89,383
Provision for claims outstanding	27	2,288	2,202	2,288	2,202
Total technical provisions		**97,172**	**91,585**	**97,172**	**91,585**
Provisions for life assurance for which the policyholder bears the investment risk before ceded reinsurance					
Conditional bonus	21	5,837	5,978	5,837	5,978
Provisions for other risks and expenses					
Provisions for pensions and similar commitments	28	26	21	25	30
Deferred tax liabilities	12	114	117	–	–
Other provisions		10	8	10	7
Total provisions for other risks and expenses		**150**	**146**	**35**	**37**
Deposits from reinsurers		**476**	**605**	**476**	**605**
Liabilities					
Liabilities, reinsurance		17	27	17	27
Derivatives	20	5,142	2,611	5,142	2,611
Other liabilities	29	2,269	1,707	2,994	2,086
Total liabilities		**7,428**	**4,345**	**8,153**	**4,724**
Accrued expenses and deferred income					
Other accrued expenses and deferred income		383	378	369	358
TOTAL EQUITY, PROVISIONS AND LIABILITIES		**128,983**	**120,155**	**129,352**	**120,119**
MEMORANDUM ITEMS	30				
For own liabilities, pledged assets		120,495	112,699	120,495	112,699
Other pledged assets		3	4	3	4
Contingent liabilities		5	9	5	9
Commitments		1,349	495	1,349	495

For information about the Group's pledged assets, see note 30.

Statement of changes in shareholders' equity

SEK M	Group: Share capital	Group: Collective consolidation fund	Group: Equity method reserve	Group: Retained earnings incl. net profit for the year	Group: Total	Parent Company: Share capital	Parent Company: Collective consolidation fund	Parent Company: Retained earnings incl. net profit for the year	Parent Company: Total
Opening equity, 1 January 2013	**8**	**8,911**	**41**	**4,872**	**13,832**	**8**	**8,093**	**4,850**	**12,951**
Net profit for the year	–	–	–	5,174	5,174	–	–	5,236	5,236
Other comprehensive income for the year	–	–	–	–1	–1	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**5,173**	**5,173**	**–**	**–**	**5,236**	**5,236**
Appropriation of profit	–	4,872	–	–4,872	–	–	4,850	–4,850	–
Transfer, equity method reserve	–	39	–39	–	–	–	–	–	–
Disbursed bonus	–	–1,888	–	–	–1,888	–	–1,888	–	–1,888
Closing equity, 31 December 2013	**8**	**11,935**	**2**	**5,173**	**17,118**	**8**	**11,055**	**5,236**	**16,299**
Opening equity, 1 January 2014	**8**	**11,935**	**2**	**5,173**	**17,118**	**8**	**11,055**	**5,236**	**16,299**
Net profit for the year	–	–	–	1,903	1,903	–	–	1,966	1,966
Other comprehensive income for the year	–	–	–	–9	–9	–	–	–	–
Comprehensive income for the year	**–**	**–**	**–**	**1,894**	**1,894**	**–**	**–**	**1,966**	**1,966**
Appropriation of profit	–	5,173	–	–5,173	–	–	5,236	–5,236	–
Transfer, equity method reserve	–	2	–2	–	–	–	–	–	–
Disbursed bonus	–	–1,475	–	–	–1,475	–	–1,475	–	–1,475
Closing equity, 31 December 2014	**8**	**15,635**	**–**	**1,894**	**17,537**	**8**	**14,816**	**1,966**	**16,790**

All equity is classified as restricted.

Cash-flow statement

SEK M	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Net profit for the year before tax	1,901	5,214	2,314	5,574
Income and yield tax paid	–456	–367	–458	–365
Disbursed bonus and pension collective agreements from collective consolidation fund	–1,475	–1,888	–1,475	–1,888
Adjustment for non-cash items	–5,167	1,657	–5,821	–7,340
Total	**–5,197**	**4,617**	**–5,440**	**–4,019**
Change in other operating receivables and liabilities				
Assets	1,991	8,704	2,046	9,366
Liabilities	3,423	–13,640	3,438	–6,169
Cash flow from operating activities	**217**	**–319**	**44**	**–822**
Investing activities				
Sale of subsidiaries	–	–	–	–
Loans to Group and associated companies	–	–	173	503
Investments in property and equipment	–1	–1	–1	–1
Cash flow from investing activities	**–1**	**–1**	**172**	**502**
Net cash flow for the period	**216**	**–320**	**216**	**–320**
Cash and cash equivalents, 1 January	3,648	3,968	3,648	3,968
Change in cash and cash equivalents	**216**	**–320**	**216**	**–320**
Cash and cash equivalents, 31 December	3,864	3,648	3,864	3,648

Cash and cash equivalents pertains to balances of bank accounts and Plusgiro, the amount is recognised in the balance sheet under cash and bank balances

SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS SEK M	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Interest payments, inward	2,505	3,864	2,503	3,860
Interest payments, outgoing	97	93	91	81
Dividends received	125	480	392	525

Both interest payments and dividends are recognised in the operating activities.

Of the cash and cash equivalents, there are restrictions in the disposal rights of bank accounts pledged as contingency reserve for interest and equity futures	–	–	–	–

SUPPLEMENTARY INFORMATION ABOUT CASH FLOWS SEK M	Group 2014	Group 2013	Parent Company 2014	Parent Company 2013
Specification of non-cash items:				
Changes in technical provisions	5,562	13,359	5,562	13,359
Change in value and results of investment assets	–10,682	–5,874	–11,314	–4,769
Value changes in investment assets for which the policyholder bears the risk	–137	–1,278	–137	–1,417
Capital gains, divestment of subsidiaries	–	–	–	–
Other	90	–4,550	68	167
Total	**–5,167**	**1,657**	**–5,821**	**7,340**

Notes to the financial statements

All figures in SEK M unless otherwise stated.

1 ACCOUNTING POLICIES

Company information

This Annual Report was submitted on 31 December 2014 and pertains to Länsförsäkringar Liv Försäkringsaktiebolag (publ) which is a mutual limited liability insurance company, with its registered office in Stockholm. The company's address is Tegeluddsvägen 11–13, SE-106 50 Stockholm, Sweden. The company's Corporate Registration Number is 516401-6627. Länsförsäkringar Liv Försäkringsaktiebolag (publ) is a wholly owned subsidiary of Länsförsäkringar AB (publ), Corporate Registration Number 556549-7020, with its registered office in Stockholm. The company and its subsidiaries are not consolidated in Länsförsäkringar AB's consolidated financial statements since the company's earnings accrue in their entirety to the policyholders.

In addition to life-assurance operations, the company's business activities comprise non-life insurance operations in the form of group accident insurance. Since such group accident insurance represents less than 1% of the total operations, and accordingly is immaterial, the company's entire operations have been recognised as life-assurance operations. The portion comprising non-life insurance operations is recognised in the performance analysis under cancellable group accident insurance. Consequently, this line of insurance has not been specified by occupational pension.

Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and the applicable parts of the Swedish Financial Supervisory Authority's FFFS 2008:26 and its amendment regulations were also applied.

The Parent Company's Annual Report was prepared in accordance with the Annual Accounts Act for Insurance Companies (ÅRFL), the regulations and general guidelines of the Financial Supervisory Authority concerning annual reports in insurance companies (FFFS 2008:26, with the additions introduced in FFFS 2009:12, FFFS 2011:28 and 2013:6), and the Financial Reporting Board's recommendation RFR 2. The Parent Company applies legally restricted IFRS. These accounting policies comply with IFRS as far as possible within the framework of Swedish law. This means that the Financial Supervisory Authority's regulations refer to certain exceptions to and limitations in IFRSs.

The Annual Report and consolidated financial statements were approved for publication by the Board of Directors and President on 3 March 2015. Final adoption of the Annual Report will take place at the 2015 Annual General Meeting.

Conditions relating to the preparation of the Parent Company's and consolidated financial statements

The Parent Company's functional currency is Swedish kronor (SEK) and the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded to the nearest SEK M. Assets and liabilities are recognised at cost, except for most of the Group's financial assets and liabilities that are measured at fair value or amortised cost. Investment property is measured at fair value.

The accounting policies stated below have been applied to all periods presented in this Annual Report.

Judgements and estimates in the financial statements

The preparation of accounts in accordance with IFRS requires that management make judgements and estimates, and make assumptions that affect the application of the accounting policies and the recognised amounts of income, expenses, assets, liabilities and contingent liabilities. These judgements and estimates are based on historic experiences and the information available on the balance-sheet date. The actual outcome may deviate from these judgements and estimates. Estimates and assumptions are reviewed regularly.

Changes in estimates are recognised in the period in which the change is made if the change only affected that period, or in the period in which the change is made and future periods if the change affects the period in question and future periods. The valuation of the company's provisions is described in the section below concerning the recognition of insurance contracts and in note 2, which provides information on risks in the operations.

Significant judgements applied to the Group's accounting policies

Significant judgements in the application of accounting policies were made in conjunction with deciding the classification of financial assets and liabilities.

Significant sources of estimation uncertainty

The assumptions used in the calculation of the technical provisions have the most significant effect on the amounts recognised in the financial statements. In calculating the life-assurance reserve, assumptions are made regarding the discount rate, mortality, morbidity and expenses. For further details, see the accounting policies for liabilities and note 2 Risks and risk management below.

The valuation techniques described below in the accounting policies for investment assets are used in the measurement of financial assets for which no observable market data is available. Measurement is based on the most recent information, which normally involves quarterly measurement, one quarter in arrears. Special follow-ups are performed during periods of major turbulence in the financial market.

For the market valuation of investment property, cash-flow statements containing several assumptions and judgements are used. They include such parameters as rental and cost trends, inflation and the discount rate. A change in any of these parameters due to a change in vacancy rate, market conditions or similar events affects the calculated cash flows and thus the value of the properties. For further details, see the accounting policies for investment assets below.

Changed accounting policies, new IFRSs

New standards and amendments to standards adopted by the EU that are to be applied from 1 January 2014 did not entail any significant changes to the company's financial reporting.

IFRS 10 Consolidated Financial Statements This standard entails a change to the definition of what comprises a controlling influence. A controlling influence exists when a company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to use its influence to affect those returns through its power over the investee. Disclosures regarding the Parent Company's judgements are provided in the section on Judgements and estimates in the financial statements.

IFRS 12 Disclosure of Interests in Other Entities. This is a new standard for disclosures on investments in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. Länsförsäkringar Liv does not have any investments in unconsolidated structured entities. Disclosures regarding holdings in subsidiaries and associated companies are provided in notes 15 and 17.

IAS 39 Financial instruments. The amendment entails that companies can continued hedge accounting despite the counterparty of the derivative contract having changed due to legislation. Hedge accounting is not applied in the Group.

IAS 32 Financial instruments: Presentation. This amendment clarifies the principles when offsetting financial assets and liabilities is permitted. The amendment did not have any material impact on the recognition of financial instruments.

New IFRSs that have not yet been applied

A number of new or amended IFRSs will come into effect in future fiscal years and were not applied in advance in the preparation of these financial statements. The expected effects that the application of these new or amended IFRSs may have on the company's financial statements are described below.

IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement. The ISAB has finalised IFRS 9, which contains new requirements for recognition and measurement of financial instruments. This includes an expected loss impairment model and simplified requirements for hedge accounting. IFRS 9 will take effect on 1 January 2018 and early adoption is permitted provided that the EU adopts the standard. The EU plans to approve the standard in 2015.

The categories of financial assets under IAS 39 will be replaced by three categories: assets measured at amortised cost, fair value through other comprehensive income or fair value through profit and loss. The classification into these three categories is based on the company's business model for the various holdings and the cash flow characteristics that the assets give rise to. The fair value option may be applied to debt instruments if doing so eliminates or significantly reduces an "accounting mismatch." Equity instruments are to be measured at fair value through profit and loss, with the option of recognising changes in value not held for trading in other comprehensive income instead.

The rules regarding financial liabilities are largely consistent with the IAS 39 rules, except for financial liabilities that are voluntarily measured at fair value according to the fair value option. The change in value for these liabilities is to be divided into changes attributable to own creditworthiness and changes in reference interest rates.

The impairment model requires recognition of the 12-month expected credit losses on initial recognition and, in the event of a significant increase in the credit risk, the loss allowance is to correspond to the full lifetime expected credit losses. The hedge accounting rules include simplified effectiveness testing and an expansion of eligible hedging instruments and eligible hedged items.

The company has not yet completed its evaluation of the effects of IFRS 9 Recognition and Measurement. The company does not have any financial liabilities measured according to the fair value option or any relevant assets for the new impairment model, and does not apply hedge accounting, and therefore these rules are not deemed to have any effect. Neither has the company decided whether to apply early adoption of the new principles since IFRS 9 has not yet been approved by the EU.

In addition, the other new elements are not deemed to have any material impact on Länsförsäkringar Liv's earnings or financial position.

Consolidated financial statements

The Group includes the Parent Company and the companies in which Länsförsäkringar Liv has a controlling influence. The consolidated financial statements were prepared following the purchase method in accordance with IFRS 3.

Associated companies are companies in which ownership comprises a part of a permanent connection and in which the Parent Company exercises influence over the management. The share in associated companies' earnings after tax is recognised in the consolidated income statement. Associated companies are recognised in the consolidated financial statements in accordance with the equity method.

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety.

Shareholders' and Group contributions

Shareholders' contributions are recognised in the equity of the recipient and capitalised in shares and participations with the donor. Group contributions received from subsidiaries are recognised according to the same principles as for recognising dividends, in accordance with the main rule in RFR 2. Group contributions paid to a subsidiary are recognised as an increase in participations in Group companies. Group contributions that have been paid to or received from the Parent Company are recognised directly against equity after deductions for their current tax effects since the Group contributions are accounted for according to the policies of dividends and shareholders' contributions.

Related parties

Related legal entities include the Länsförsäkringar AB Group's companies, all associated companies, Länsförsäkringar Mäklarservice AB and the 23 regional insurance companies. Pricing for service activities within the Länsförsäkringar Alliance is based on direct and indirect costs. A price list is established in conjunction with the budget process. Overall, pricing is intended to distribute costs fairly within the corporate group based on consumption. Joint development projects and joint service are financed collectively and invoiced based on an established distribution key. See note 36 Disclosures on related-party transactions, etc.

Translation of foreign currencies

Transactions in foreign currency are translated to SEK when they are recognised in the accounts at the exchange rate on the date of the transaction. Assets and liabilities in foreign currency are translated to SEK by applying the exchange rates on the balance-sheet date. Unrealised exchange-rate differences that arise as a result are recognised in profit and loss as exchange-rate gains/losses under earnings for asset management.

Insurance contracts

Insurance contracts are contracts in which Länsförsäkringar Liv undertakes a significant insurance risk for the policyholder by agreeing to compensate the policyholder if a predetermined, insured event were to occur.

In accordance with IFRS 4 Insurance Contracts, insurance contracts are to contain a certain amount of insurance risk to be treated as insurance contracts in the accounts. Insurance products that do not involve a sufficiently significant level of insurance risk are to be classified as non-insurance contracts. The company's traditional life assurance and the insurance component of the financial agreements are classified as insurance contracts.

Contracts with discretionary participation features

Länsförsäkringar Liv has assessed that there are contracts with discretionary participation features in its traditional life assurance. This means that the policyholders have a preliminarily distributable surplus. This preliminarily distributable surplus is not guaranteed. These contracts are recognised in accordance with the polices applied for insurance contracts. The preliminarily distributable surplus is recognised as equity.

Premium income and claims payments

Premium income and claims payments Premiums for insurance contracts are recognised as premium income when payments are made for traditional life assurance. Expenses are recognised when they arise, except for variable costs that are capitalised, see Prepaid acquisition costs. Paid remuneration is recognised by the guaranteed portion being expensed and the bonus portion reducing equity.

Investment income

Investment income, revenue and expenses

Investment income includes interest income, interest expense, exchange-rate gains and exchange-rate losses on investment assets, derivatives, and cash and cash equivalents. Dividends received, any impairment of financial assets and external expenses for asset management are included in investment income.

Investment income also includes realised gains or losses on investment assets and derivatives. Realised gains and loss is calculated as the difference between the purchase consideration received and the cost of the asset.

Unrealised gains and losses on investment assets

Unrealised gains and losses on investment assets and derivatives are included in the items unrealised gains and unrealised losses on investment assets. Unrealised gains and losses comprise changes for the year in the difference between cost and fair value. In the event of a sale, the accumulated unrealised changes in value is reversed as unrealised gain and loss.

Operating expenses

All operating expenses are classified in profit and loss according to the following functions: acquisition, claims adjustment, administration, commission and profit shares in ceded reinsurance, investment income expenses and, in certain cases, other technical expenses. Operating expenses for claims adjustment are recognised under Claims paid. Operating expenses for financial management are recognised under Investment income, expenses.

Leasing

Länsförsäkringar Liv leases equipment from its Parent Company Länsförsäkringar AB. These agreements are limited in scope and recognised in their entirety as operational leasing.

Tax

Yield tax

Yield tax is not a tax on an insurance company's earnings but it paid by the company on behalf of the policyholders. Tax objects comprise the value of the net assets managed on behalf of the policyholders. For the Group, the yield tax attributable to the period is recognised in profit and loss as Other non-technical expenses. For the Parent Company, yield tax is recognised as tax in profit and loss.

Tax

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss, except when the underlying transaction is recognised directly against equity, whereby the related tax effect is recognised in equity.

Current tax is tax that is to be paid or received in the current year, with the application of the tax rates established or decided in practice on the balance-sheet date. This also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. Temporary differences are not taken into account for initial recognition of goodwill or for initial recognition of assets and liabilities that are not business combinations and, at the time of the transaction, do not affect recognised or taxable earnings. Nor are temporary differences attributable to participations in subsidiaries and associated companies not expected to be reversed in the foreseeable future taken into consideration. The valuation of deferred tax is based on how underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance-sheet date.

Deferred tax assets on deductible temporary differences and tax loss carryforwards are only recognised to the extent that it is likely that it will be possible to utilise these. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilised. Any additional income tax arising on dividends is recognised at the same time as when the dividend is recognised as a liability.

Property and equipment

Property and equipment are recognised as an asset in the balance sheet if it is probable that the company will receive future financial benefits and the cost of the asset can be calculated reliably. Property and equipment are recognised at cost less accumulated depreciation and any impairment. The carrying amount of a tangible asset is derecognised from the balance sheet in conjunction with disposal or divestment, or when no future financial benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising on the divestment or disposal of an asset comprise the difference between the sales price and the carrying amount of the asset, less direct selling expenses. Depreciation takes place according to the straight-line method over the asset's expected useful life, commencing when the asset becomes available for use. Depreciation and any scrapping and divestments are recognised in profit and loss. The useful life for cars is five years. The depreciation method and the residual values and useful lives of the assets are re-tested every year-end.

Cash and bank balances

Cash and cash equivalents comprise cash funds and immediately available balances at banks and similar institutions. The Group account was classified as a receivable from the Parent Company and is included in the line Other receivables.

Investment assets

Investment property

The Group holds land and buildings for the purpose of generating rental income and increases in value. According, these holdings are classified as investment property. The properties are continuously measured at fair value, performed by an external appraiser by applying both location prices and cash flows. Valuations take place every six months. Since the properties are recognized and measured at fair value, they are not depreciated. Changes in fair value of these properties are recognised in profit and loss as unrealised gains and losses on investment assets.

Financial assets and liabilities

Recognition and derecognition in the balance sheet

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the contract in accordance with the instrument's contractual conditions. A financial liability is derecognised from the balance sheet when the rights in the contract are realised, expire or the company loses control of the asset. A financial liability is derecognised from the balance sheet when the obligation in the contract is met or extinguished in another manner.

Business transactions in the monetary, bond and equities markets are recognised in the balance sheet on the transaction date, which is the time when the significant risks and rights are transferred between the parties.

A financial asset and a financial liability are offset and reported as a net amount in the balance sheet only when a legal right exists to offset the amounts and the intention is present to simultaneously realise the asset and settle the liability or to settle the items in a net amount. Information about offsetting conducted in the balance sheet is provided in the note on Information about offsetting.

Classification and valuation

A financial instrument is classified on initial recognition on the basis of the purpose of the acquisition of the instrument and on the options contained in IAS 39. IAS 39 requires that all financial instruments be measured at fair value when recognised in the balance sheet. Following initial recognition, the classification determines how the financial instrument is measured. Financial instruments that are not derivatives are initially recognised at fair value, which corresponds to the cost with additions for transaction costs, although no addition for transaction costs is made for instruments classified as Financial assets measured at fair value in profit and loss.

Financial instruments are continuously measured at fair value, cost or amortised costs depending on the category that the instrument belongs to.

Financial assets measured at fair value in profit and loss

This category comprises two sub-groups: Held for trading and Financial assets measured according to fair value option. The "Held for trading category" comprises derivatives that have a positive market value. The "Financial assets measured according to fair value option" category includes assets that are managed and valued based on the fair values of the assets. The fair value which also forms the basis of internal monitoring and reporting to senior executives. Since these assets are managed and valued at fair value, the company has chosen to classify these instruments as financial assets measured at fair value in profit and loss. In the balance sheet, the category of Financial assets measured according to fair value option comprises the items of Investment property, Interest-bearing securities issued by Group companies, loans to Group companies, Shares and participations, Bonds and other interest-bearing securities, Loans with collateral in fixed property and Other financial investment assets. Changes in fair value of these assets are recognised in profit and loss as Unrealised gains and unrealised losses on investment assets.

Loans and receivables

Loans and receivables are financial assets that have fixed or fixable payments and that are not derivatives are not or listed on an active market. Assets in this category are measured at amortised cost. Loans and receivables in the balance sheet comprise the items of Other receivables, Cash and cash equivalents and Prepaid expenses and accrued income.

Financial liabilities measured at fair value in profit and loss

This category comprises two sub-groups: Held for trading and Financial liabilities measured according to fair value option. A financial liability held for trading is classified in this category if acquired principally for the purpose of selling in the short term. The company has chosen to classify derivatives that have a negative market value in the category of Held for trading. Provisions for conditional bonus are classified as Financial liabilities measured according to fair value option. Since Assets for conditional bonus are measured at fair value under the fair value option and the provision is to match these assets, the assets are also measured at fair value in profit and loss.

Other financial liabilities

Other financial liabilities in the balance sheet comprise Other liabilities and Accrued expenses and deferred income. Liabilities in this category are measured at cost.

Methods for determining fair value

The note on Fair value valuation techniques states the financial instruments measured at fair value and the level of the valuation hierarchy from which inputs are used for determining the fair value.

Financial instruments listed on an active market

The largest portion of the company's financial instruments are measured at fair value using prices listed on an active market. No additions for transaction costs (for example, brokerage commission) or future transaction costs in connection with potential divestment are made. A financial instrument is considered to be listed on an active market when transactions take place at sufficient frequency and volume in order to provide continuous price information. If the market for the asset or liability is the most advantageous market and if a company on the measurement date can perform a transaction with the asset or liability at this price on this market, the holding is classified as Level 1 in the fair value hierarchy.

Instruments listed on an active market and found in Level 1 of the fair value hierarchy are found in the balance sheet as Interest-bearing securities issued by Group companies and loans to Group companies (loans to Group companies are not listed on an active market and are measured according to Level 2), Shares and participations, Bonds and other interest-bearing securities, Derivatives and Other financial investment assets.

Financial instruments not listed on an active market

If the market for a financial instrument is not active, the company determines the fair value by using a valuation technique. The company has OTC derivatives, for example, that are not traded on an active market. The valuation techniques applied are based on market data as far as possible, and company-specific information is used as little as possible. The instruments for which all material inputs required for measurement at fair value are observable are found in Level 2 of the fair value hierarchy. Instruments whose fair value has been determined by using a valuation technique based on market data are found in the balance sheet as the items: Interest-bearing securities issued by Group companies and loans to Group companies (debt securities in issue are listed on an active market and are measured according to Level 1), Shares and participations, Loans with collateral in fixed property and Derivatives.

If one or more significant inputs are not based on observable market data, the instrument in question is classified as Level 3 in the fair value hierarchy. Instruments whose fair value has not been able to be determined based on observable market data are found in the balance sheet as the items: Investment property, Shares and participations and Bonds and other interest-bearing securities.

Impairment tests for property and equipment and intangible assets and shares and participations in subsidiaries and associated companies

If there is an indication of an impairment requirement, the recoverable amount of the asset is calculated in accordance with IAS 36 Impairment of Assets. The recoverable amounts of goodwill that is not finished for use are calculated annually. If it is not possible to determine the substantially independent cash flow of a specific asset, the assets are to be grouped in the impairment test at the lowest value where it is possible to identify the substantially independent cash flows known as a cash-generating unit.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount. The impairment of assets attributable to a cash-generating unit is initially distributed to goodwill. Proportional impairment losses on the other assets included in the unit are subsequently recognised.

The recoverable amount is the higher of fair value less selling expenses and value in use. In the calculation of the value in use, the future cash flow is discounted with a discount factor that takes into consideration risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

On each reporting occasion, the company assesses whether a financial asset is in need of impairment by evaluating objective evidence of impairment of a financial asset. Objective evidence comprises observable circumstances that have occurred and have a negative effect on the possibility to recover the cost.

The recoverable amount for assets belonging to the category of loans and receivables, which are recognised at amortised cost, is calculated as the present value of future cash flows discounted by the effective interest rate that applied when the asset was initially recognised. Assets with a duration of less than one year are not discounted. Impairment losses are charged against profit and loss.

Reversal of impairment losses

Other recognised impairments are reversed when there is no longer an indication that the impairment requirement still exists and a change has occurred in the assumptions that formed the basis of the calculation of the recoverable amount. Impairment losses on goodwill are never reversed. A reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been recognised, less depreciation/amortisation where applicable, if no impairment had been applied.

Impairment of loans and receivables recognised at amortised cost are reversed if a later increase of the recoverable amount can objectively be attributed to an event that occurred after the impairment was applied.

Prepaid acquisition costs

Costs that have a clear connection to underwriting/renewing insurance contracts are capitalised as Prepaid acquisition costs in the balance sheet and are depreciated over the useful life. A condition for capitalisation is that the acquisition costs are attributable to a certain insurance contract, or homogeneous groups of contracts that can be followed up, and are deemed to generate a margin that covers at least the acquisition costs intended to be capitalised. These acquisition costs pertain to operating expenses, for example, commission and expenses for sales that are directly related to acquisitions or renewals of insurance contracts. Costs are depreciated straight-line over ten years. The asset is impairment tested every year.

Untaxed reserves

Changes in untaxed reserves are recognised in the Parent Company's accounts, according to Swedish practice, in profit and loss under appropriations. The accumulated value of the provisions is recognised under the heading Untaxed reserves in the balance sheet. The item is eliminated in the consolidated financial statements and 22% is recognized as deferred tax liabilities and 78% as restricted equity.

Liabilities

Technical provisions

Technical provisions comprise and life-assurance reserve and provision for claims outstanding.

Life-assurance reserve

The life-assurance reserve correspond to the anticipated capital value of the company's guaranteed commitments as per current insurance contracts after deduction of the anticipated capital value of future contractual premium payments. The life-assurance reserve is calculated in accordance with standard actuarial principles based on assumptions regarding interest, mortality, morbidity cancellations and operating expenses.

In the calculation of technical provisions, a gross interest assumption was applied in accordance with the Swedish Financial Supervisory Authority's regulation FFFS 2013:23 for the choice of interest rate in calculating technical provisions. Two current yield curves are produced for the calculation on the balance-sheet date, one that is cautious for occupational pension insurance and one that is adequate for other insurance types of insurance policies.

The entire yield curve is applied, meaning that each future transaction is valued taking into account the interest rate corresponding to the duration of the transaction in relation to the calculation date.

Assumptions regarding mortality are structured as generation mortality and include a trend-based increase in life expectancy in relation to year of birth. These assumptions are based on the company's experience of mortality in its own portfolio. Assumptions regarding operating expenses and cancellations are determined based on the company's experience and, in certain cases, by applying expert judgement regarding future outcomes. All cash flows are neutral or modestly cautiously defined.

Provision for claims outstanding

The provision for claims outstanding comprises three different balance-sheet items. These are provision for disability annuities, established claims and non-established claims. The provision for disability annuities corresponds to the discounted capital value of the company's commitments in accordance with the insurance contract.

The provision for established claims corresponds to the discounted, expected capital value of the company's future expenses due to the incurred health claim. It includes reported and approved claims that have not yet been paid and future operating expenses. It also includes the fixed-income operations. The discount rate is determined based on current market interest rates in accordance with satisfactory practice.

The provision for non-established claims pertains to claims that have not yet been reported but which have been made using statistical methods based on previous experience for the respective products. For disability annuities at fixed amounts, the nominal interest-rate assumption was determined based on the yield curve used for life-assurance reserves. Similarly, a real yield curve was applied to index-linked disability annuities. This now applies to all disability annuities regardless of whether they are classed as occupational pensions.

Provisions for which the life-assurance policyholder bears the risk

This item comprises financial liabilities whereby the liability has a direct link to the value of a financial asset for which the Group does not have any risk in the change in value of the fair value of the asset.

A conditional bonus is recognised as a bonus for which the policyholder bears a financial or insurance risk that affects the amount of the bonus. The amount of conditional bonus is determined by the conditions of the insurance contracts. The provision is measured at the value of the assets linked to the contracts. For the conditional bonus for the Insured Pension and New World products is recognised in profit and loss and the balance sheet.

Reinsurance

Contracts signed between Länsförsäkringar Liv and reinsurers through which the company is transfers the risk to the reinsurer are classified as ceded reinsurance. For ceded reinsurance, the benefits to which the company is entitled under the reinsurance contract are recognised as the reinsurers' portion of technical provisions. Deposited funds from reinsurers comprise the liability item Deposits from reinsurers. Receivables from and liabilities to reinsurers are valued in the same manner as the amounts linked to the reinsurance contract and in accordance with the conditions of each reinsurance contract. Annual earnings are primarily settled through deductions in accordance with reinsurance contracts.

The reinsurers' portion of technical provisions corresponds to the reinsurers' responsibility for technical provisions in accordance with signed contracts.

Remuneration of employees

Current remuneration

Current remuneration of employees is calculated without discount and recognised as an expense when the related services are received. The anticipated cost of bonus payments and other variable remuneration is recognised when there is a legal or informal duty to make such payments as a result of services received from employees and the obligation can be reliably calculated.

Remuneration for termination of employment

An expense for remuneration in conjunction with the termination of employment is recognised only if the company is demonstrably obligated, without a realistic possibility of revocation, by a formal detailed plan to terminate employment before the normal time. When remuneration is provided as an offer to encourage voluntary redundancy, an expense is recognised if it is probable that the offer will be accepted and the number of employees who may accept the offer can be reliably estimated.

Pension plans

The Group has both defined-contribution and defined-benefit pension plans, some of which have assets in separate foundations or similar institutions.

Defined-contribution pension plans

Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) and SPP Liv, is a multi-employer pension plan. The plan is a defined-benefit plan for employees born in 1971 or earlier and a defined-contribution plan for employees born in 1972 or after. According to IAS 19 Employee Benefits, this pension plan entails that a company is, as a rule, to recognise its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also be presented in the accounts according to the requirements for defined-benefit pension plans.

FPK is currently unable to provide necessary information which is why the pension plans above are recognised as a defined-contribution plan in accordance with item 34 of IAS 19. Nor is any information available on future surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

Defined-benefit pension plans

Group

The Group's net commitments for defined-benefit plans are calculated separately for each plan by making an estimate of the future remuneration that the employees will have earned over their employment in both current and prior periods. This remuneration is discounted at a present value. The discount rate is the interest rate on the balance-sheet date of a high-quality corporate bond with a term corresponding to that of the Group's pension commitments. When there is no functioning market for such corporate bonds, the market interest rate on government bonds with a corresponding term is used instead. The calculation is performed by applying the Projected Unit Credit Method. The fair value of the plan assets is calculated as per the reporting date.

Actuarial gains and losses may arise in conjunction with the determination of the present value and fair value of the commitment in the plan assets. These gains and losses arise either because the actual outcome deviates from the earlier assumption or because the assumptions have changed.

The carrying amount of pensions and similar commitments recognised in the balance sheet corresponds to the present value of the commitments at year-end, less the fair value of plan assets, unrecognised actuarial gains and losses and unrecognised expenses for service during prior periods. When the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net of the unrecognised actuarial losses and unrecognised expenses for service during prior periods and the present value of future repayments from the plan or reduced future deposits to the plan. When the remuneration amount of a plan is improved, the portion of the increase in remuneration attributable to the employees' service during prior periods is recognised in profit and loss straight-line over the average period until the remuneration is earned in its entirety. An expense is recognised directly in profit and loss if the remuneration has been fully earned. When there is a difference between how the pension cost is determined in the legal entity and in the Group, a provision or receivable pertaining to a special employer's contribution based on this difference is recognised. The present value of the provision and the receivable is not calculated. All expenses for defined-benefit plans are recognised as staff costs in operating profit.

Parent Company

The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit commitment is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognised in profit and loss when they arise.

The Parent Company follows a pension agreement from 2006 for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at the age of 62.

Cash-flow statement

The cash-flow statement was prepared in accordance with IAS 7. The statement was recognised in accordance with the indirect method.

Shares and participations in Group companies and associated companies

The Parent Company's shares and participations in Group and associated companies are recognised at cost adjusted for impairment requirements.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is unlikely that an outflow of resources will be required.

2 RISKS AND RISK MANAGEMENT

Principles of Länsförsäkringar Liv's risk management

Länsförsäkringar Liv conducts life-assurance operations. The company offers various forms of pension savings and risk insurance. The financial products and services that Länsförsäkringar Liv offers involve risk-taking. Since Länsförsäkringar Liv is operated in accordance with mutual principles, the company's risks are borne by the policyholders. The management of risk-taking is to contribute to the provision of financial products at a controlled risk level with a reasonable return. Risk-taking is to be limited so that the probability of falling short of applicable legal capital requirements within 12 months is a maximum of 0.5% (0.5).

One of the key objectives is to ensure that Länsförsäkringar Liv can meet its guaranteed commitments to customers with a satisfactory margin. Accordingly, the most critical risks are those that could contribute to the company's insolvency and the company not being able to meet the commitments to its policyholders.

Risk management organisation

The Board of Directors of Länsförsäkringar Liv is responsible for ensuring appropriate risk management and follow-up of the company's risks. Risk management contains strategies, processes and reporting procedures necessary for continuously identifying, measuring, monitoring, managing and reporting the risks associated with the business activities.

The risk-management process comprises continuous work and annual activities, and can differ between the various types of risk. Continuous risk-management work includes handling risk and identifying new risks. An own risk and solvency assessment is performed every year and in conjunction with major changes in the operations or economic environment. Following applicable regulations, the Board establishes the frameworks for the company's risk management and risk control based on a number of governance documents. The company's President is responsible for incorporating all governance documents into the operations and for establishing more detailed regulations for risk management within the framework determined by the Board. The governance documents are updated and approved at least annually. Examples of governance documents that regulate risk management and risk control are Länsförsäkringar Liv's risk policy, insurance guidelines, risk assessment policy, instructions for reserve levels, reinsurance policy, solvency policy and investment guidelines.

The Board's Risk and Capital Committee supports the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk and capital requirements. The Board's Audit Committee is responsible for monitoring the company's financial reporting, including the efficiency of the company's internal governance and control and risk management. The Audit Committee monitors the company's corporate governance systems and the internal control of the operational risks.

There is an Investment Committee at management level in Länsförsäkringar Liv which is a preparatory body for the Risk and Capital Committee. The Investment Committee examines and prepares the Asset Management Unit's proposed investment orientations based on established targets, financial environment analyses and specified frameworks. Representatives for Länsförsäkringar Liv's corporate management, the Asset Management Unit, the Compliance Function and the Risk Control Function participate in the Committee.

The Risk Control function is responsible for the independent risk control, which is separate from the business operations and reports to the President and Board. The Risk Control function is also responsible for keeping the President and Board continuously informed of the companies' overall risk profile by submitting risk reports at least four times a year. Furthermore, the function conducts annual risk analyses for business risks and operational risks in Länsförsäkringar Liv.

The Compliance function provides support for ensuring that the operations maintain a high level of regulatory compliance. The function identifies and reports on risks that may arise as a result of non-compliance with regulatory requirements.

Internal Audit is an independent review function that comprises the Board's support in quality assurance of the organisation's risk management, governance and controls.

Monitoring and governance of risk-taking and solvency

The connection between the level of risk and the capital requirement is becoming increasingly clear in the statutory solvency rules. Risk exposure, capital requirements and available capital are continuously monitored and reported to the Board every quarter or more often if dictated by the circumstances. Governance of risk-taking takes place in conjunction with, for example, decisions on how the company's capital is to be managed, when insurance products are designed and when reinsurance is procured. The preparations of proposals on investment orientations include an analysis of the impact of the proposals on solvency and debt coverage, the Swedish Financial Supervisory Authority's traffic-light model and returns. The aim of the investment operations in Old Trad is to match insurance undertakings and also generate high risk-adjusted returns. In New Trad, which has greater risk scope, the aim is to generate higher returns than the established benchmark.

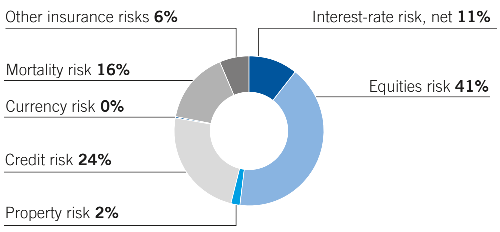
Länsförsäkringar Liv's solvency and debt coverage ratio exceed the statutory levels and the traffic-light model has given the company a green light. The solvency ratio for Länsförsäkringar Liv totalled 122% (118). The solvency rate was 4.2 (4.3). The ratio between the capital requirement and the capital buffer according to the Financial Supervisory Authority's traffic-light model was 190% (237).

Risk profile

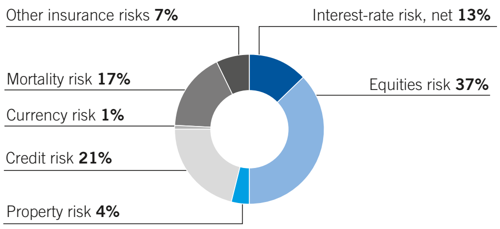
The operations are characterised by a low risk profile and Länsförsäkringar Liv meets legal and supervisory capital requirements by a healthy margin. Falling market interest rates that increased technical provisions during the year could almost, but not fully, be offset by adjustments in the investment portfolio and the effect of customers changing the conditions of their insurance to New Trad.

The diagram below shows the specification of risk by main risk type in Länsförsäkringar Liv as at 31 December 2014 and 31 December 2013 in accordance with the traffic-light model. Diversification effects have been distributed proportionally.

Figure 1. Risk profile for Länsförsäkringar Liv 2014



Risk profile for Länsförsäkringar Liv 2013



The following factors characterise Länsförsäkringar Liv's risk-taking:

- The operations are primarily targeted to private individuals, employees and self employed persons working in small and medium-sized businesses.
- All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution of life-assurance risks throughout Sweden.
- Länsförsäkringar Liv is primarily exposed to market risks and life-assurance risks.
- Among market risks, equities risk, credit risk (spread risk) and interest-rate risk are the risks that entail the highest capital requirements. Credit and equities risk are the largest risk. Credit risk (spread risk) derive primarily from holdings in Swedish covered mortgage bonds and Investment Grade corporate bonds. Interest-rate risk is reduced by matching the technical provisions with assets of similar properties. Market risks are limited by applying limits to capital requirements from the investment activities.
- One of the major life-assurance risks is the risk that the average life span of policyholders increases more than the assumptions made which could lead to the technical provisions being insufficient to meet Länsförsäkringar Liv's guaranteed commitments. Länsförsäkringar Liv has reinsured its longevity and morbidity risks and taken out catastrophe reinsurance to limit its risks.

The following section describes Länsförsäkringar Liv's overall risks and their governance and management. The diagram below shows the classification of risk that is applied within Länsförsäkringar Liv.

Insurance risks

Life-assurance risk

Life-assurance risks are the risks that arise in conjunction with undertaking to insure the life of individual people. Life-assurance risks can be divided into a number of sub-groups: longevity risk, mortality risk, expenses risk, cancellation risk and catastrophe risk.

Longevity and mortality risk

Longevity risk is the risk of losses arising due to the insured living longer than assumed. Mortality risk is the risk of losses arising due to mortality among the insured being higher than assumed.

Expenses risk

In addition to the purely insurance risks, there are also such risks as expenses risk, which is the risk of losses arising due to the estimated costs for conducting the company's operations not covering the company's actual costs.

Cancellation risk

Cancellation risk is the risk of losses arising due to a change in the premium payments, repurchases or transfers deviating from that which has been assumed. This risk impacts expenses risk since higher cancellations lead to lower income and accordingly fewer opportunities for covering the company's actual operating expenses.

Catastrophe risk

Catastrophe risk refers to the risk of losses arising due to natural disasters, epidemics or disasters caused by human activities leading to very large claims payments.

Health-insurance risk

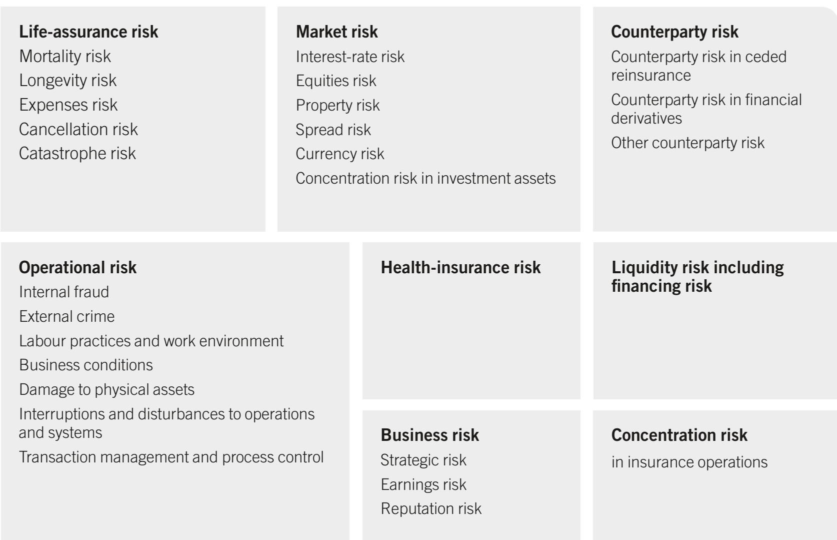
Health-insurance risk is the risk that arises in conjunction with undertaking to insure the health of individual people. Health-insurance risk is the risk of losses arising due to the insured's disability and morbidity being greater than assumed. Morbidity risk includes the probability of a person falling ill and recovering. Health-insurance risk is a small portion of the total business.

If the risks described above were not limited, they could lead to a negative outcome and ultimately have a negative impact on equity. For guaranteed commitments, this could mean in the future that the technical provisions will be insufficient to meet the company's commitments to its policyholders.

Management of longevity and health-insurance risks

The technical provisions correspond to the company's guaranteed commitments and are calculated per insurance contract after assumptions are made for mortality, morbidity, the probability of recovery, cancellations, operating expenses, tax, interest and inflation. These assumptions are made following regulations which are intended to ensure that the company is always able to meet its undertakings. For occupational pensions, the assumptions are selected according to the prudence principle, whereas for other products each of the assumptions is to be satisfactory. In 2014, the assumptions for recovery were changed for the calculation of morbidity and disability provisions.

Figure 2. Classification of risk at Länsförsäkringar Liv



Life span in Sweden is gradually increasing, which means lower requirements for provisions for insurance with a high mortality risk (when insurance has been taken out against premature death). On the other hand, this trend entails a great need for provisions for those policyholders where longevity risk is dominant.

Longevity and health-insurance risks are limited by risk assessment regulations applied by Länsförsäkringar Liv. Risk assessments mainly take into account the costs of a potential insured event and the age, employment conditions, financial and health status of the insured. Medical examinations may also take place in certain cases. Information provided in claims adjustment processes is regularly checked.

Longevity and health-insurance risks are also limited through reinsurance.

Länsförsäkringar Liv continuously monitors the status of operating expense assumptions in relation to actual costs at product level and at an overall level.

Table 1 shows the sensitivity to reasonably probable changes in several key actuarial assumptions.

Table 1. Sensitivity analysis, longevity and health-insurance risks

Assumption before reinsurance	Change in assumption, %	Change in provision, SEK M 2014	2013
Mortality (incl. longevity risk)	–20%/+20%	+2,075/–1,708	+1,868/ –1,535
Morbidity	+50%	+232	+258
Expense ratio	+10%	+362	+340
Nominal market interest rates[1)]	–100 bp	+6,902	+7,275

[1)] Change in value of the best estimate of the commitments calculated using the Swedish Financial Supervisory Authority's traffic-light model for which the discount rate is assumed to be a minimum of zero.

Concentration of insurance risk

Länsförsäkringar Liv primarily targets private individuals, employees and self employed persons working in small and medium-sized businesses. All 23 regional insurance companies broker the company's products, which thereby creates a geographic distribution throughout Sweden. Accordingly, Länsförsäkringar Liv's insurance risks are highly diversified. Concentration risk is primarily counterbalanced by limits for exposure per reinsurer and discretionary reinsurance of the insured for very large individual risks. Länsförsäkringar Liv has taken out catastrophe reinsurance to further limit its risks. The insurance policy has been taken out so that the provisions regarding maximum retention in the insurance guidelines can be met by a healthy margin.

Market risk

Market risk is the risk of losses arising due to changes, in level or volatility, of interest rates, financial asset prices and exchange rates. In the management of the Länsförsäkringar Liv's assets, assessments are made of the potential for a favourable return and the risk level involved in the creation of investment strategies and investment decisions of an operational nature. The main asset classes in portfolio management are interest-bearing securities, equities, alternative investments and property. Derivative instruments are utilised in the management of investment assets in order to enhance the efficiency of management and to achieve the desired risk profile. In order to determine the level of risk that can be taken in management activities, an analysis of assets and liabilities and their properties such as expected returns, risk and correlation. Forecasts of the performance of the insurance operations are also included in the analysis, and the purpose is to determine an optimal risk level, with a high and competitive return or by protecting or improving key figures, within the framework of legal restrictions and applicable investment guidelines. Investment guidelines are based on fulfilment of such legal restrictions as debt coverage and solvency rules and the Swedish Financial Supervisory Authority's traffic-light model. Länsförsäkringar Liv's Board makes decisions on allocation mandates and current risk limits for each management form and for the company as a whole.

Interest-rate risk

Interest-rate risk is the risk of losses arising due to changes in the level or volatility of market interest rates. Interest-rate risk is also inherent in insurance liabilities by policyholders being entitled to a guaranteed interest rate under many life assurance contracts and by life-assurance reserves being discounted by the current market interest rate. A fall in interest rates is normally unfavourable for Länsförsäkringar Liv since the company's liabilities will then increase more than its assets.

Länsförsäkringar Liv governs its own risk-taking by taking into account the sensitivity of the insurance undertakings to changes in interest rates, with conscious choices about the extent to which the undertakings are matched against assets with corresponding properties. The insurance undertakings are presented in table 6 on the maturity analysis for financial assets and liabilities and insurance undertakings that appears at the end of this note.

In autumn 2014, Länsförsäkringar Liv had a high matching level for assets in the traditional management portfolio. A narrow risk scope meant that the percentage of long-term interest-bearing investments remained high. Part of the matching strategy in 2014 was to generate a surplus when interest rates rise. Since interest rates fell instead, this strategy led to a loss for the company. However, the solvency ratio was stable despite historically low interest rates due to a number of measures taken during the year. The desired interest-rate risk is described and decided in an interval of matching level expressed as a ratio between the interest-rate sensitivity of assets and liabilities regarding the applicable discount curve according to the Financial Supervisory Authority's rules. In addition, there are limits in the company's sensitivity to only Swedish interest rates falling, for only interest rates on German government-backed paper and interest-rate swaps denominated in EUR increasing and for interest rates with long terms falling more than rates with shorter terms. Derivative instruments, such as interest-bearing swap contracts, are used to manage interest-rate risk and reduce the interest-rate sensitivity of the balance sheet.

Equities risk

Equities risk is the risk of losses arising due to changes in the level or volatility of share prices or prices of alternative investments. Equities risk are reduced by diversifying investments between different industries and geographic areas. As stated in the company's balance sheet, equities exposure in the company is low. The exposure that exists is primarily attributable to the equity funds found in the New Trad and New World portfolios. In addition, equities risk is also found to a certain extent in hedge fund holdings. On 31 December 2014, the percentage of equities in the balance sheet amounted to 12% (10) of the investment assets.

Property risk

Property risk is the risk of losses arising due to changes in the level or volatility of property prices. The property prices are an effect of the assumptions made on applicable yield requirements and rental levels. On 31 December 2014, the percentage of property holdings in the balance sheet amounted to 2% (2) of the investment assets.

Credit-spread risk

Credit-spread risk is the risk of losses arising due to changes in the level or volatility of the difference between market interest rates on bonds with credit risks and government securities' rates. Decisions on the size of the portion of the bond portfolio that is to comprise bonds with credit risk are made in light of prevailing market conditions and the desired level of risk-taking in the investment portfolio. Table 4 below shows that most of the interest-bearing investments have an AAA rating.

The sensitivity inherent in the company's earnings for the market risks above is presented below.

Table 2. **Sensitivity analysis, market risks**

Sensitivity analysis		Impact on profit before tax, SEK M 2014	2013
Interest-rate risk[1]	1% lower interest rate	–1,960	–2,091
Equities risk[2]	10% lower share prices	–2,049	–1,615
Property risk	10% lower market value	–109	–143
Credit-spread risk	1% increase in credit spread	–3,314	–2,920

[1] Net changes in value of investment assets including interest income, less changes in technical provisions, calculated according to the Swedish Financial Supervisory Authority's traffic-light model for which interest rates are assumed to be a minimum of zero.
[2] Includes 10% lower prices on hedge funds.

Currency risk

Currency risk is the risk of losses arising due to changes in the level or volatility of exchange rates. Länsförsäkringar Liv's technical provisions are recognised in SEK. The currency exposure that exists is due to investment assets in other currencies and the risk being limited by the use of currency derivatives. Decisions on the size of currency exposure are made in light of prevailing market conditions. In 2014, Länsförsäkringar Liv was exposed to the USD.

The total net currency exposure on 31 December 2014 amounted to 0.7% (1.5) of total investment assets. Exposure by currency is shown in table 3.

Table 3. **Impact on earnings at year-end of a 10% change in the exchange rate with SEK**

Currency	Impact on earnings before tax, SEK M 2014	2013
AUD	0	1
CHF	1	3
DKK	2	1
EUR	–16	2
GBP	3	17
JPY	–1	5
KRW	5	7
NOK	2	3
RUB	1	1
USD	–2	86
INR	3	0
Other currencies	25	0

Counterparty risk

Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that any collateral provided not covering the receivable. Länsförsäkringar Liv's exposure to counterparty risk primarily arises through the use of financial derivatives. Derivatives are purchased to protect the balance sheet against interest-rate risk, equities risk and currency risk and entail that the counterparty undertakes, through derivative contracts, to compensate for negative results arising from changes in, for example, market interest rates, share prices or exchange rates. As a result, a receivable from the counterparty may arise in the event of market changes. Counterparty risk pertains to the risk of losses arising due to counterparties being unable to fulfil their undertakings and that part of the receivable can thus not be paid. Counterparty risk is managed by measuring current risk exposure to each counterparty and checking that the rating of each counterparty corresponds to the minimum level decided by the Board. ISDA and CSA agreements are prepared with all counterparties.

Table 4 shows the maximum credit-risk exposure without consideration of credit enhancement and corresponds to the carrying amount of the assets on the balance-sheet date.

Table 4. **Credit quality of fully functioning financial assets**

Specification of financial assets, SEK M	2014	2013
Cash and cash equivalents		
A	3,864	3,649
Total	**3,864**	**3,649**
Bonds and other interest-bearing securities[1]		
AAA – Swedish Government	10,932	9,306
AAA – Government securities other than those issued by the Swedish Government	211	55
AAA – other	49,533	58,075
AA	7,058	5,171
A	8,419	7,184
BBB	8,765	6,165
BB	2,711	2,266
B	2,283	1,746
CCC	260	220
CC	3	2
No rating available	3,669	2,193
Total	**93,845**	**92,385**

[1] Market values including accrued interest.

There is also counterparty risk in the exposure to the reinsurer Sweden Re. Sweden Re has an A rating from Standard & Poor's and the outstanding receivables on 31 December 2014 totalled SEK 475 M (466).

Concentration risk

Concentration risk pertains to the risk of the company's risk exposure not being sufficiently diversified, leading to a single exposure, homogeneous group of exposures or a specific market event threatening the solvency of the company or its financial position. Concentration risk is primarily counterbalanced by decisions determining the maximum exposure per counterparty in financial derivatives and the diversification of investment assets.

Concentration risk is deemed to be small for the company in relation to market risks based on the diversification provided in the company's investment orientations. Having as a general rule that these investments can be used for debt coverage also means that the risk of excessively high individual commitments is kept low. Concentration risk in loans is limited by applying exposure limits for each issuer or group of issuers that have a mutual connection and for exposure for credit instruments per rating level. The largest counterparties on 31 December 2014 were Nordea Hypotek, Stadshypotek, Swedbank and SEB. Notes 15 and 17 present the company's holdings in Group companies and associated companies.

Liquidity risk including financing risk

Liquidity risk is the risk of losses arising due to the company's undertakings not being fulfilled due to a shortage of cash and cash equivalents or that these undertakings can only be fulfilled by raising funding at significantly higher costs than usual or by divesting assets at a loss. Liquidity risk is minimised by the predominant proportion of investments being made in securities with high liquidity that are listed on well-established exchanges. To further limit liquidity risks, the management agreements describe how investments are to be made in unlisted assets. Sometimes investments are made consciously in less liquid and unlisted assets to achieve a higher return. The CSA agreements that Länsförsäkringar Liv has with derivative counterparties require that collateral is pledged for derivatives that have a negative value for the company. This collateral is pledged in the form of cash funds that are transferred to the counterparties, thus entailing a liquidity risk for the Group. For derivatives with positive values for the company, collateral is received which can reduce this risk.

Table 6. **Maturity analysis for financial assets and liabilities and insurance undertakings**

Parent Company, SEK M	2014 <3 months	2014 3 months–1 year	2014 1–5 years	2014 > 5 years	2014 Total	2013 <3 months	2013 3 months–1 year	2013 1–5 years	2013 > 5 years	2013 Total
Assets										
Interest-bearing securities issued by Group companies and loans to Group companies	609	292	2,484	519	3,904	744	2,254	2,906	532	6,436
Bonds and other interest-bearing securities[1)]	3,120	6,523	37,587	50,563	97,793	1,660	7,932	38,128	53,917	101,637
Loans with collateral in fixed property	16	48	1,840	0	1,904	16	48	1,904	–	1,968
Other receivables	1,561				1,561	1,857				1,857
Prepaid expenses and accrued income	938				938	748				748
Liabilities										
Technical provisions[2)]	1,279	4,057	21,543	76,128	103,007	1,288	4,151	21,950	70,174	97,563
Other liabilities	2,851				2,851	897				897
Accrued expenses and deferred income	359				359	169				169
Total cash flows, net	**1,755**	**2,806**	**20,368**	**–25,046**	**–117**	**2,671**	**6,083**	**20,988**	**–15,725**	**14,017**
Derivatives, in and outflows, net	–1,376	343	900	2,488	2,355	4	927	175	991	2,097
Total cash flows, net	**379**	**3,149**	**21,268**	**–22,558**	**2,238**	**2,675**	**7,010**	**21,163**	**–14,734**	**16,114**

1) The balance-sheet item Bonds and other interest-bearing securities includes Fixed-income funds. These have no contractual maturities and thus are not included in the table above.
2) Technical provisions are recognised gross, before ceded reinsurance.

Table 5 below presents the discounted net cash outflows for technical provisions by year.

Table 5. **Discounted net cash outflows for technical provisions**

Duration, years	Percentage of cash flow, % 2014	Percentage of cash flow, % 2013
0–5	26.1	28.1
5–10	21.4	21.6
10–15	17.7	16.8
15–20	14.0	13.0
20–30	14.5	13.8
30–	6.4	6.6

Table 6 shows the actual cash flows that will occur in each period, based on the remaining contractual maturities. Amounts comprise undiscounted cash flows.

Operational risk

Operational risk is defined as the risk of losses arising due to inappropriate or unsuccessful processes, human error, incorrect systems or external events. Operational risks are a part of Länsförsäkringar Liv's operations. By conducting preventive measures and applying suitable risk management and control, Länsförsäkringar Liv can reduce the probability of operational risks materialising and thus reduce their consequences. The process of managing and controlling operational risk includes identifying, measuring, monitoring, managing and reporting.

Operational risk analyses are performed annually. Operational risks are identified, the potential consequences evaluated and probability of the risk occurring assessed. Action plans are prepared for material risks, which are followed up every quarter.

Shared system support for the entire Länsförsäkringar Group is used for incident management. Furthermore, a continuity plan is adopted annually by executive management. Business-critical processes and their associated risks have been analysed and documented to strengthen the internal control.

In conjunction with this, the most important controls, known as key controls, were also documented.

Business risk

Business risk pertains to the risk of lower earnings due to more difficult competitive conditions, the wrong strategy or incorrect decisions. Business risk is the risk of losses arising due to business strategies and business decisions proving to be misdirected, actions by competitors, changes in the external environment, negative rumours about the company and an unexpected downturn in income, for example, from volume decreases.

Business risks are managed at Board and management level through analyses and decisions prior to making strategic choices on the direction of the operations, and in the annual business planning process and also when trends in the Group's markets require management actions. The specific business risks that are deemed to be the most important at any given time are continuously monitored at management level.

Solvency II – future risk-based regulatory requirements

Länsförsäkringar Liv has made significant progress in the Solvency II preparations. The preparatory work has been initially focused on ensuring compliance with the regulations. This means that Länsförsäkringar Liv essentially meets the requirements of the EIOPA's guidelines since 1 January 2014. This work was also carried out to create the greatest possible business and customer value. New forms for the governance, management and control of risk and capital allocation have contributed to enhancing the efficiency of the work processes and generating improved calculation tools for balancing risk limitation with opportunities for yielding returns. During the year, Länsförsäkringar Liv received a ruling that the Swedish Financial Supervisory Authority had deemed the company's partial internal model to be reliable and the company will apply for permission to use the model to report its Solvency Capital Requirement prior the Solvency II regulations coming into effect. Länsförsäkringar Liv will thus be able to work with measures of capital requirement that are better aligned with the company's own risks in its operations than those in the standard formula of the rules.

3 PREMIUM INCOME

Group and Parent Company

SEK M	2014	2013
Gross premium income before ceded reinsurance is distributed as follows in the life-assurance operations		
Direct life assurance	2,384	3,090
Direct accident and health insurance	548	608
Total	**2,932**	**3,698**
Gross premium income for direct life assurance is distributed in the following categories		
Premiums for individual life assurance	2,154	2,862
Group insurance premiums	230	228
Total	**2,384**	**3,090**
Periodic premiums	1,888	2,413
Single premiums	496	677
Total	**2,384**	**3,090**
Premiums for contracts that do not carry bonus rights	267	218
Premiums for contracts that carry bonus rights	2,117	2,872
Total	**2,384**	**3,090**

All premiums pertain to insurance in Sweden.

4 INVESTMENT INCOME, REVENUE

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Rental income	**84**	**115**	**–**	**0**
Dividends				
Dividends received	168	464	168	464
Dividends received from Group companies	–	–	267	26
Dividends received from associated companies	–	19	–	19
Total dividends	**168**	**483**	**435**	**509**
Interest income				
Interest-bearing securities issued by and loans to Group companies	108	186	112	187
Bonds and interest-bearing securities	2,047	2,264	2,047	2,256
Interest income from Group companies	–	–	2	–
Other interest income	424	684	423	681
Total interest income	**2,579**	**3,134**	**2,584**	**3,124**
Exchange-rate gains, net	**–**	**62**	**–**	**62**
Capital gains, net				
Investment property	–	0	–	0
Interest-bearing securities issued by and loans to Group companies	38	38	38	38
Shares and participations	1,321	326	1,321	326
Bonds and interest-bearing securities	1,268	–	1,269	–
Other investment assets	1	13	1	13
Total capital gains	**2,628**	**378**	**2,629**	**378**
Investment income, revenue	**5,459**	**4,172**	**5,648**	**4,073**

5 UNREALISED GAINS ON INVESTMENT ASSETS

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Investment property	–	0	–	0
Interest-bearing securities issued by and loans to Group companies	21	–	21	–
Shares and participations	1,416	–	1,416	–
Bonds and other interest-bearing securities	6,332	996	6,332	996
Loans with collateral in fixed property	59	–	59	–
Derivatives	2,061	–	2,061	–
Other financial investment assets	31	–	31	–
Total	**9,920**	**996**	**9,920**	**996**

6 CLAIMS PAID BEFORE CEDED REINSURANCE

Group och Parent Company

SEK M	2014	2013
Claims payments	–4,809	–4,402
Cancellations, repurchases and external transfers	–1,883	–3,469
Claims adjustment costs	–10	–14
Total	**–6,702**	**–7,885**

7 OPERATING EXPENSES

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Operating expenses in life-assurance operations distributed according to function				
Acquisition	–49	3	–49	3
Change in the prepaid acquisition costs item	–79	–106	–79	–106
Administration expenses	–430	–405	–428	–418
Commission and profit shares in ceded reinsurance	135	161	135	161
Total	**–423**	**–347**	**–421**	**–359**
Of which, purchasing from the Länsförsäkringar AB Group	–232	–406	–232	–406
Total amount of direct insurance commission	**–119**	**–124**	**–119**	**–124**
Total amount of research and development expenses that have been expensed	**–2**	**–81**	**–2**	**–81**

The item Acquisition below consists of Acquisition and Change in the prepaid acquisition costs items. The item Administration consists of the total of the items Administration expenses and Commission and profit shares in ceded reinsurance.

Total expenses comprise the following

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Acquisition	–127	–103	–127	–103
Claims adjustment	–10	–14	–10	–14
Administration	–286	–243	–284	–243
Financial management	–215	–170	–215	–170
Property management	–27	–51	0	-7
Total	**–665**	**–581**	**–636**	**–537**

Costs for acquisition and administration are recognised in profit and loss under operating expenses, the claims adjustment costs are recognised under claims payments in note 6, costs for financial management are recognised in note 10 under asset management expenses, and costs for property management are recognised as direct costs for properties in note 14.

7 OPERATING EXPENSES, cont.

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Total costs are distributed as follows				
Staff costs, etc.	–52	–85	–52	–85
Costs for premises, etc.	–1	–1	–1	–1
Amortisation/depreciation, etc.	–103	–129	–103	–129
Other	–509	–366	–480	–322
Total	**–665**	**–581**	**–636**	**–537**

8 FEES AND REMUNERATION OF AUDITORS

	Group		Parent Company	
SEK M	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
KPMG AB				
Audit assignment	1	2	1	2
Audit operations in addition to the audit assignment	0	0	0	0
Tax consulting	1	0	1	0
Total	**2**	**2**	**2**	**2**

Audit assignments pertain to a review of the Annual Report and accounts, and the administration by the Board of Directors and President, other work assigned to the company's auditors, and advice or other assistance required due to observations made during the review or implementation of such other assignments.

9 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES

Group och Parent Company

Average number of employees	**2014**	**2013**
Sweden		
Men	16	23
Women	17	53
Total number of employees	**33**	**76**
Salaries, other remuneration and social security expenses, SEK M		
Salaries and remuneration	18.6	37.7
of which, variable remuneration	–	–
Social security expenses	12.6	26.2
of which, pension costs	5.4	11.5
Total	**31.2**	**63.9**
Board of Directors and senior executives, 14 (16)		
Salaries and remuneration	11.3	10.9
of which, salary to President	3.6	3.5
of which, variable remuneration of President	–	–
of which, fixed salary to other senior executives	5.6	5.5
of which, variable salary to other senior executives	–	–
Social security expenses	8.7	8.2
of which, pension costs	4.2	3.9
Total	**20.0**	**19.1**
Total salaries, remuneration and social security expenses, SEK M		
Salaries and remuneration	29.9	48.5
of which, variable remuneration	–	–
Social security expenses	21.3	34.4
of which, pension costs	9.6	15.4
Total	**51.2**	**82.9**

Remuneration of the Board of Directors
Directors' fees are payable to the Chairman and members of the Board in accordance with a decision of the Annual General Meeting. No fee is payable to employee representatives.

Remuneration of senior executives
Remuneration of the President and other senior executives comprises basic salary and other benefits. Pension benefits and other benefits paid to the President and other senior executives are included as part of total remuneration. Other senior executives are the individuals who, together with the President, comprise corporate management.

9 EMPLOYEES, STAFF COSTS AND REMUNERATION OF SENIOR EXECUTIVES, CONT.

Remuneration and other benefits for senior executives

Parent Company 2014, SEK 000s	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Jörgen Svensson, President	3,570	2	1,763	5,335	51
Karl-Olof Hammarkvist, Chairman of the Board	375	–	–	375	–
Gunnar Wetterberg, Board member	264	–	–	264	–
Ulrica Jansson Messing, Board member	264	–	–	264	–
Anders Grånäs, Board member	241	–	–	241	–
Henrik Perlmutter, Board member	203	–	–	203	–
Karin Starrin, Board member	191	–	–	191	–
Marie-Louise Zetterström, Board member	231	–	–	231	–
Karin Lindblad, Board member	117	–	–	117	–
Birgitta Carlander, Board member	260	–	–	260	–
Other senior executives (4 people)	5,195	361	2,416	7,972	44
Total 2014	**10,911**	**363**	**4,179**	**15,453**	**95**

Remuneration and other benefits for senior executives

Parent Company 2013, SEK 000s	Basic salary/ Board fee	Other remuneration	Pension costs	Total	Pension costs as a percentage of pensionable salary, % Defined-contribution
Jörgen Svensson, President	3,457	1	1,677	5,135	50
Karl-Olof Hammarkvist, Chairman of the Board	267	–	–	267	–
Gunnar Wetterberg, Board member	197	–	–	197	–
Ulrica Jansson Messing, Board member	285	–	–	285	–
Anders Grånäs, Board member	201	–	–	201	–
Henrik Perlmutter, Board member	104	–	–	104	–
Karin Starrin, Board member	104	–	–	104	–
Marie-Louise Zetterström, Board member	104	–	–	104	–
Birgitta Carlander, Board member	283	–	–	283	–
Lennart Atteryd, Board member	144	–	–	144	–
Sten Lundqvist, former Board member	143	–	–	143	–
Gunvor Engström, former Board member	74	–	–	74	–
Other senior executives (4 people)	5,148	374	2,177	7,699	41
Total 2013	**10,511**	**375**	**3,854**	**14,740**	**91**

Pension pertains to the cost that impacted net profit for the year.

Pensions
The retirement age for the President is 60. The pension between 60 and 65 is a defined-contribution plan and the pension premium is to amount to 31% of the pensionable salary. Pensionable salary refers to fixed salary. In addition, the company pays an additional pension premium of SEK 120,000 per year. Pension from the age of 65 will be subject to the terms of the pension agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO). The retirement age for other senior executives is 65. The terms comply with pension agreements between the FAO and the FTF/SACO. Furthermore, an additional pension premium corresponding to one price base amount per year is paid every year for each senior executive.

Severance pay
A mutual period of notice of six months applies to the President. If termination of employment is issued by the company, severance pay corresponding to 18 months' salary will be paid, in addition to the period of notice. For other senior executives, the period of notice follows applicable collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Preparation and decision-making process applied in relation to the issue of remuneration of corporate management
A Remuneration Policy for the Länsförsäkringar AB Group regulates the preparation and decision-making process for remuneration of corporate management.

The Remuneration Committee prepares important remuneration decisions and decisions on measures for following up the application of the Remuneration Policy.

The Board decides on remuneration and other terms of employment for corporate management and employees with overall responsibility for one of the company's control functions.

Composition of Remuneration Committee and mandate
The composition and duties of the Remuneration Committee are regulated in the Board's formal work plan. The Remuneration Committee comprises the Chairman and two Board members.

Policies for remuneration of corporate management
Senior executives in the Länsförsäkringar AB Group are to have market-based employment terms and conditions. The total remuneration must be on par with the industry. The structure and level of remuneration should correspond to the company's values, meaning that it should be reasonable, moderate and well-balanced, and also contribute to good ethics and organisational culture, characterised by openness and transparency.

Fixed remuneration
Fixed remuneration is paid according to the general pension policy above.

Pensions
Pensions should comply with the terms of the collective agreements between the Swedish Insurance Employers' Association (FAO), the Swedish Union of Insurance Employees (FTF) and the Swedish Confederation of Professional Associations (SACO).

Other benefits
In addition to the above benefits, a company car is offered in accordance with applicable conditions, individual health care insurance and other benefits offered to all employees.

Number of women among senior executives, %

	Group		Parent Company	
	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Board members	27	20	36	45
Other senior executives	40	40	40	40

10 INVESTMENT INCOME, EXPENSES

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Operating expenses, investment property	**–27**	**–51**	**–0**	**–7**
Asset management expenses	**–215**	**–170**	**–215**	**–170**
Interest expense				
Interest-bearing securities issued by and loans to Group companies	–	–	–2	–
Bonds and other interest-bearing securities	–1	–3	–1	–3
Other interest expense	–114	–84	–114	–79
Total interest expense	**–115**	**–87**	**–117**	**–82**
Impairment				
Shares and participations	–14	–128	–175	–60
Total impairment	**–14**	**–128**	**–175**	**–60**
Exchange-rate losses, net	**–1,221**	**–**	**–1,221**	**–**
Capital losses, net				
Bonds and other interest-bearing securities	–3	–107	–3	–107
Other investment assets	–2,121	–899	–2,122	–899
Total capital losses	**–2,124**	**–1,006**	**–2,125**	**–1,006**
Investment income, expenses	**–3,716**	**–1,442**	**–3,853**	**–1,326**

11 UNREALISED LOSSES ON INVESTMENT ASSETS

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Bonds and other interest-bearing securities	–	–3,922	–	–3,922
Shares and participations	–17	–	–17	–
Derivatives	–	–1,575	–	–1,575
Other assets	–	–111	–	–111
Total	**–17**	**–5,608**	**–17**	**–5,608**

12 TAXES

	Group		Parent Company	
SEK M	**2014**	**2013**	**2014**	**2013**
Current tax expense				
Yield tax on pension funds	–	–	–347	–280
Tax	–11	–57	–11	–58
Adjustment of tax pertaining to prior years	10	–	10	–
Deferred tax				
Deferred tax pertaining to temporary differences	3	16	–	–
Total recognised tax expense	**2**	**–40**	**–348**	**–338**
Deferred tax liabilities pertaining to the following:				
Untaxed reserves	115	117	–	–
Total	**115**	**117**	–	**–**
Deferred tax assets pertain to the following:				
Investment property	0	0	–	–
Total	**0**	**0**	–	**–**

The change between the years pertaining to recognised deferred tax liabilities and tax assets has been recognised as deferred tax expenses/income in profit and loss. Yield tax is recognised in the Group according to IFRS in the item other non-technical expenses.

	Group		Parent Company	
	2014	**2013**	**2014**	**2013**
Tax rates applied:				
Yield tax on pension funds, pension insurance	15%	15%	15%	15%
Yield tax on pension funds, endowment insurance	30%	30%	30%	30%
Average government funding rate for taxation, pension insurance	2.09%	1.52%	2.09%	1.52%
Average government funding rate for taxation, endowment insurance	2.01%	1.49%	2.01%	1.49%
Tax rate for calculating income tax	22%	22%	22%	22%
Tax rate for calculating deferred tax	22%	22%	22%	22%

13 PROPERTY AND EQUIPMENT

	Group		Parent Company	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Cost				
Opening cost, 1 January	1	1	1	1
Acquisitions for the year	2	0	2	0
Closing cost, 31 December	**3**	**1**	**3**	**1**
Depreciation				
Opening accumulated depreciation, 1 January	–0	–0	–0	–0
Accumulated depreciation for divestments/scrapping	–0	–0	–0	–0
Depreciation for the year	–1	–0	–1	–0
Closing accumulated depreciation, 31 December	**–1**	**–0**	**–1**	**–0**
Carrying amount, 31 December	**2**	**1**	**2**	**1**

14 INVESTMENT PROPERTY

Holdings

Group, SEK M	Cost	Fair value	Floor space vacancy rate	Direct yield	Change in value	Change in value
Investment property, value on 31 December 2014	990	1,092	14.8%	5.1%	**–332**	**–28.0%**
Investment property, value on 31 December 2013	1,263	1,427	23.3%	5.2%	**–348**	**–24.4%**

Change in value for the period
Group

	Cost		Fair value	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Opening balance	1,263	1,256	1,427	1,435
Additional investments in existing assets	14	7	14	7
Sales	–287	–	–348	–
Profit/loss from adjustments of fair value	–	–	–1	–15
Closing balance	**990**	**1,263**	**1,092**	**1,427**

Summary of values for the Group

SEK M	Tax assessment value	Fair value	Cost
Subsidiaries	604	1,092	990
Total for the Group	**604**	**1,092**	**990**

Similar to prior years, the Group's properties were valued externally by independent valuation companies. The valuations were conducted by using both location prices and the properties' cash flows. Due to the exceptional economic climate prevailing during the year, the financial markets or market for property transactions did not function normally, resulting in few transactions and location prices not being available to a normal extent, instead, greater emphasis has been attached to the cash-flow method. For further information on how fair value was determined, see note 33 Fair value valuation techniques.

Impact on profit for the period	Group		Parent Company	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Rental income	86	115	–	0
Direct expenses for properties that generated rental income during the period (operating and maintenance expenses, real estate tax and site leasehold fees)	–32	–51	–	–7

The income-statement items above are included in the lines Investment income, revenue and Investment income, expenses.

15 SHARES AND PARTICIPATIONS IN GROUP COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity 2014	Profit 2014	Carrying amount
Länsförsäkringar Komplement AB	556660-1257	Stockholm	1,000	100%	1	0	0
Fastighets KB Automobilpalatset	969680-4195	Stockholm	1,000	100%	218	24	296
KB Hålstenen 2	916618-1330	Stockholm	100	99%	269	244	267
Fastigheten Dykarhuset AB	556678-4004	Stockholm	1,000	100%	33	12	58
Fastighets AB Storsundet	556740-2390	Stockholm	1,000	100%	212	1	50
Total 31 December 2014					**733**	**281**	**671**
Total 31 December 2013					**451**	**36**	**579**

All shares and participations are unlisted.

15 SHARES AND PARTICIPATIONS IN GROUP COMPANIES, CONT.

	Parent Company	
Cost, SEK M	**31 Dec 2014**	**31 Dec 2013**
Opening balance	369	369
Added and deducted assets	92	–
Closing balance	**461**	**369**
Accumulated changes in value		
Opening balance	210	183
Change in value for the year	–	27
Closing balance	**210**	**210**
Total carrying amount	**671**	**579**
Fair value	**1,026**	**972**

16 INTEREST-BEARING SECURITIES ISSUED BY GROUP COMPANIES AND LOANS TO GROUP COMPANIES

	Group		Parent Company	
SEK M	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Listed bonds issued by Länsförsäkringar Hypotek	2,110	4,394	2,110	4,394
Listed bonds issued by Länsförsäkringar Bank	527	490	527	490
Promissory notes from Swedish Group companies	–	–	787	960
Fixed-term subordinated debentures to Swedish Group companies (Länsförsäkringar Bank)	530	529	530	529
Loans to Group companies (Länsförsäkringar AB)	529	630	529	630
Total fair value	**3,696**	**6,043**	**4,483**	**7,003**

17 SHARES AND PARTICIPATIONS IN ASSOCIATED COMPANIES

Company name	Corporate Registration Number	Registered office	Number of shares/ participations	Share of equity, %	Equity 2014	Profit 2014	Group's carrying amount	Parent Company's carrying amount
FAB S-Holt i Kista	556678-4715	Stockholm	499	49.9	0	0	0	0
Kista Qvadrat KB	916511-5057	Stockholm	499	49.9	59	37	211	225
Total 31 December 2014					**59**	**37**	**211**	**225**
Total 31 December 2013					**86**	**36**	**252**	**251**

All shares and participations are unlisted.
It has been assessed that the holdings in associated companies are not of material significance to the Parent Company.

Total amount for associated companies	**Income**	**Earnings**	**Assets**	**Liabilities**	**Equity**	**Fair value**
Group and Parent Company 31 Dec 2014	66	37	132	12	121	211
Group and Parent Company 31 Dec 2013	66	36	193	21	86	252

	Group		Parent Company	
Cost, SEK M	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Opening balance	252	333	251	292
Added and deducted assets	–41	–81	–26	–41
Closing balance	**211**	**252**	**225**	**251**

18 SHARES AND PARTICIPATIONS

Group and Parent Company

SEK M	**31 Dec 2014**	**31 Dec 2013**
Listed shares and participations	12,411	10,095
Unlisted shares and participations	3,983	4,061
Total	**16,394**	**14,156**
Cost	9,982	9,422
Total carrying amount	16,394	14,156
Less, assets for conditional bonus	–4,047	–3,880
Total	**12,348**	**10,276**

19 BONDS AND OTHER INTEREST-BEARING SECURITIES

Group and Parent Company

SEK M	31 Dec 2014	31 Dec 2013
Issued by		
Swedish government	11,048	9,424
Swedish mortgage institutions	28,801	33,929
Other Swedish issuers	18,460	15,881
Foreign states	4,681	4,099
Other foreign issuers	28,763	22,345
Total	**91,753**	**85,678**
Amortised cost	83,230	86,840
Market status		
Securities listed	90,798	85,054
Securities unlisted	955	624
Total	**91,753**	**85,678**
Carrying amounts compared with nominal amounts		
Total surplus	8,120	2,671
Total deficit	–117	–2,075
Total	**8,003**	**596**
Total carrying amount	91,753	85,678
Less, assets for conditional bonus	–1,218	–1,548
Total	**90,535**	**84,130**

20 DERIVAT

Group and Parent Company

	Carrying amounts		Nominal amounts	
SEK M	**31 Dec 2014**	**31 Dec 2013**	**31 Dec 2014**	**31 Dec 2013**
Derivative instruments with positive values or valued at zero				
Currency	93	671	268	29,099
Interest	5,435	2,286	–1,302	–5,383
Total	**5,528**	**2,957**	**–1,034**	**23,716**
Derivatives with negative values				
Currency	1,365	27	34,510	–2,242
Interest	3,777	2,575	–1,303	1,136
Other	–	9	–	–
Total	**5,142**	**2,611**	**33,207**	**–1,106**
Total carrying amount for derivatives with positive values	5,528	2,957		
Less, assets for conditional bonus	–11	–111		
Total	**5,517**	**2,846**		

21 ASSETS AND PROVISIONS FOR CONDITIONAL BONUS

Group and Parent Company

SEK M	31 Dec 2014	31 Dec 2013
Opening balance	5,978	4,564
Change in value	–141	1,414
Closing balance	**5,837**	**5,978**

Changes in provisions are recognised in the Income statement on the row Technical provisions for life assurance for which the policyholder bears the risk. The change in value on the asset side is recognised in the Income statement on the row Increase in value of investment assets for which the life-assurance policyholder bears the investment risk and is included in the rows Investment income, revenue and Unrealised gains.

22 OTHER RECEIVABLES

	Group		Parent Company	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Receivables from Länsförsäkringar AB Group	24	500	24	500
Other receivables	1,550	1,503	1,539	1,357
Total	**1,574**	**2,003**	**1,563**	**1,857**

23 ACCRUED INTEREST AND RENTAL INCOME

Group and Parent Company

SEK M	31 Dec 2014	31 Dec 2013
Accrued interest from Länsförsäkringar AB Group	63	127
Other accrued interest rates	875	621
Total	**938**	**748**

24 PREPAID ACQUISITION COSTS

Group and Parent Company

SEK M	31 Dec 2014	31 Dec 2013
Insurance contracts		
Opening balance	336	442
Capitalised costs during the year	23	23
Depreciation according to plan for the year	–102	–129
Closing balance	**257**	**336**

25 SHARE CAPITAL

Parent Company	31 Dec 2014	31 Dec 2013
Number of shares, issued and paid	8,000	8,000
Quotient value per share, SEK	1,000	1,000
Number of shares outstanding	8,000	8,000

According to applicable Articles of Association, the company is unable to pay any dividend. The changes in equity, compared with the preceding year's balance sheet, are recognised in the statement of changes in equity.

26 LIFE-ASSURANCE RESERVES

Group and Parent Company

SEK M	31 Dec 2014	31 Dec 2013
Opening balance	89,383	102,638
Payments	2,154	2,862
Dividends	–6,236	–7,379
Costs withdrawn	–293	–316
Investment income contributed to life-assurance reserves	495	893
Change in reserves due to amended interest-rate assumptions	12,195	–5,817
Mortality results	–31	–49
Tax expense withdrawal, life-assurance reserve	–332	–161
Change due to changing conditions to New Trad	–1,786	–1,373
Other changes	–665	–1,915
Closing balance	**94,884**	**89,383**

27 PROVISION FOR CLAIMS OUTSTANDING

Group and Parent Company SEK M	Established claims	Non-established claims	Provision for claims and disability	Total 31 Dec 2014	Total 31 Dec 2013
Opening balance	63	200	1,939	2,202	2,304
Other changes	4	–1	84	86	–103
Closing balance	**67**	**199**	**2,022**	**2,288**	**2,202**

28 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

Group, SEK M	31 Dec 2014	31 Dec 2013
Provisions for pensions	23	15
Provision for early retirement in accordance with pension agreement	3	6
Total	**26**	**21**

Defined-benefit pension plans
The Group has a number of defined-benefit pension plans. The largest of these plans is a pension agreement for the insurance sector whereby persons born in 1955 or earlier are entitled to voluntarily retire from the age of 62. The terms and conditions of this plan are designed such that the pension comprises about 65% of the pensionable salary at age 62.

In addition to this plan, there are a number of minor plans that almost only encompass employees who have already reached retirement age. These plans cover old-age pensions and in some cases also survivor's pension. The pension amounts are paid in relation to the final salary level when the employee retires and in the vast majority of cases are life annuities. In the event that upward adjustment of the pension has been agreed, the Group follows the norms applied by the Insurance Industry's Pension Fund (FPK).

Defined-benefit pension plans	31 Dec 2014	31 Dec 2013
Present value of unfunded commitments	26	21
Total deficit of defined benefit pension plans	26	21
Liabilities in statement of financial position	**26**	**21**

Change in defined-benefit commitment:	2014	2013
Commitment, 1 January	**21**	**24**
Pension costs		
Costs for service during current year	1	0
Interest expense	0	1
Past service cost and gains and losses on settlements	2	2
Special employer's contribution	0	0
Total pension costs	**3**	**3**
Remeasurements		
Return on plan assets	–	–
Gain/loss as a result of changed financial assumptions	2	0
Experience-based gains	7	0
Special employer's contribution related to remeasurement	2	0
Total remeasurement	**11**	**0**
Paid remuneration	–2	–2
Payments in conjunction with settlement	–6	–3
Paid special employer's contribution	0	–1
Assumed pension commitments	–1	–
Commitments, 31 December	**26**	**21**

Significant calculation assumptions	2014	2013
Discount rate	0.9%	2.4%
Expected rate of salary increase	2.5%	2.5%
Percentage expected to utilise agreement of voluntarily retirement at age 62	40%	40%

Population	2014	2013
Active	4	9
Old-age pensioners	4	4
Total	**8**	**13**

Defined-contribution pension plans
Defined-contribution pension plans are plans according to which the company pays fixed contributions to a separate legal entity and does not have a legal or informal obligation to pay additional contributions. The Group's payments of defined-contribution plans are recognised as expenses during the period in which the employee performed the services to which the contributions refer. Primarily, contributions to the Insurance Industry's Pension Fund (FPK) are recognised here. This plan encompasses all employees except for a few individuals who have individual solutions.

The pension agreement for the insurance industry, the FTP plan, through insurance with the Insurance Industry's Pension Fund (FPK) is a multi-employer defined-benefit pension plan. According to IAS 19 Employee Benefits, the main rule under this pension plan entails that a company recognises its proportional share of the defined-benefit pension commitment and the plan assets and expenses associated with the pension commitment. Disclosure is also to be presented in the accounts according to the requirements for defined-benefit pension plans. FPK is unable to provide necessary information which is why the pension plans above are recognised as defined-contribution plans in accordance with item 34 of IAS 19. Also, no information is available on surpluses and deficits in the plan or whether these surpluses and deficits would then affect the contributions for the plan in future years.

FTP plan contributions for 2015 are expected to total SEK 4 M.

	2014	2013
Expenses for defined-contribution plans	8	11

29 OTHER LIABILITIES

	Group		Parent Company	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Liabilities to Group companies	–	–	734	520
Liabilities to Länsförsäkringar AB Group	96	500	96	500
Other liabilities	2,173	1,207	2,165	1,066
Total	**2,269**	**1,707**	**2,994**	**2,086**

30 MEMORANDUM ITEMS

SEK M	Group 31 Dec 2014	Group 31 Dec 2013	Parent Company 31 Dec 2014	Parent Company 31 Dec 2013
For own liabilities, pledged assets				
Carrying amount for financial assets provided as collateral for technical provisions:				
Bonds	98,788	92,295	98,788	92,295
Shares and participations	13,491	10,635	13,491	10,635
Property-related assets	2,891	2,801	2,891	2,801
Other assets	5,325	6,968	5,325	6,968
Total	**120,495**	**112,699**	**120,495**	**112,699**

The total above consists of registered assets in accordance with Chapter 6, Section 30 of the Swedish Insurance Business Act.

The technical liabilities, which correspond to registered assets, amount to	101,347	96,408	101,347	96,408
Other pledged assets	3	4	3	4
Total	**3**	**4**	**3**	**4**

In the event of insolvency, the policyholders have a preferential right to the registered assets. During the course of the operations, the company has the right to add and withdraw assets from the register as long as all insurance undertakings are covered for liabilities in accordance with the Swedish Insurance Business Act.

SEK M	Group 31 Dec 2014	Group 31 Dec 2013	Parent Company 31 Dec 2014	Parent Company 31 Dec 2013
Contingent liabilities				
Early retirement at age 62 in accordance with pension agreement	5	9	5	9
Total	**5**	**9**	**5**	**9**
Commitments				
Remaining amount to invest in investment assets	1,349	495	1,349	495

31 INFORMATION ABOUT OFFSETTING

The table shows the financial instruments covered by a legally binding agreement regarding netting or a similar agreement, together with related collateral. The Group has ISDA and CSA agreements with all derivative counterparties, which means that all exposures are covered by both types of agreements. The agreements entitle the parties to offset liabilities and receivables in the event of suspension of payment or insolvency. The net amount comprises the amount that in the event of suspension of payment or insolvency would be received if the amount is an asset, or paid if the amount is a liability.

Group and Parent Company

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
SEK M 31 Dec 2014	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (–)/ Pledged(+)	Net amount
Assets						
Derivatives	5,528	–	5,528	–5,142	318	68
Liabilities						
Derivatives	–5,142	–	–5,142	5,142	–	–
Total	**386**	**–**	**386**	**–**	**318**	**68**

	Financial assets and liabilities that are offset or subject to netting agreements					
				Related amounts not offset in the balance sheet		
SEK M 31 Dec 2013	Gross amount	Offset in balance sheet	Net amounts in balance sheet	Netting framework agreement	Collateral Received (–)/ Pledged(+)	Net amount
Assets						
Derivatives	2,957	–	2,957	–2,493	–464	0
Liabilities						
Derivatives	–2,611	–	–2,611	2,611	–	–
Total	**346**	**–**	**346**	**118**	**–464**	**0**

32 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY GROUP

GROUP 31 Dec 2014 SEK M	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,696			3,696	3,696
Shares and participations	16,394[1]			16,394	16,394
Bonds and other interest-bearing securities	92,315[1]			92,315	92,315
Loans with collateral in fixed property	1,805			1,805	1,805
Derivatives		5,528[1]		5,528	5,528
Other financial investment assets	767			767	767
Other receivables			1,561	1,561	1,561
Prepaid expenses and accrued income			938	938	938
Cash and cash equivalents			3,864	3,864	3,864
Total	**114,978**	**5,528**	**6,363**	**126,868**	**126,868**

	Financial liabilities measured at fair value in profit and loss: Financial liabilities according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives		5,142		5,142	5,142
Other liabilities			2,124	2,124	2,124
Accrued expenses and deferred income			373	373	373
Total		**5,142**	**2,497**	**7,639**	**7,639**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

31 Dec 2013 SEK M	Financial assets measured at fair value in profit and loss: Financial assets measured according to fair value option	Financial assets measured at fair value in profit and loss: Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	6,043			6,043	6,043
Shares and participations	14,156[1]			14,156	14,156
Bonds and other interest-bearing securities	86,117[1]			86,117	86,117
Loans with collateral in fixed property	1,745			1,745	1,745
Derivatives		2,957[1]		2,957	2,957
Other financial investment assets	56			56	56
Other receivables			2,003	2,003	2,003
Prepaid expenses and accrued income			748	748	748
Cash and cash equivalents			3,648	3,648	3,648
Total	**106,690**	**2,957**	**6,399**	**116,046**	**116,046**

	Financial liabilities measured at fair value in profit and loss: Financial liabilities according to fair value option	Financial liabilities measured at fair value in profit and loss: Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives		2,611		2,611	2,611
Other liabilities			897	897	897
Accrued expenses and deferred income			169	169	169
Total		**2,611**	**1,066**	**3,677**	**3,677**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

[1] Including amounts in the balance sheet recognised as assets for conditional bonus.

32 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY, CONT.

PARENT COMPANY	Financial assets measured at fair value in profit and loss				
31 Dec 2014 SEK M	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	3,696		787	4,483	4,483
Shares and participations	16,394[1]			16,394	16,394
Bonds and other interest-bearing securities	92,315[1]			92,315	92,315
Loans with collateral in fixed property	1,805			1,805	1,805
Derivatives		5,528[1]		5,528	5,528
Other financial investment assets	767			767	767
Other receivables			1,561	1,561	1,561
Prepaid expenses and accrued income			938	938	938
Cash and cash equivalents			3,864	3,864	3,864
Total	**114,978**	**5,528**	**7,150**	**127,655**	**127,655**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives		5,142		5,142	5,142
Other liabilities			2,851	2,851	2,851
Accrued expenses and deferred income			359	359	359
Total		**5,142**	**3,210**	**8,352**	**8,352**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

	Financial assets measured at fair value in profit and loss				
31 Dec 2013 SEK M	Financial assets measured according to fair value option	Held for trading	Loans and receivables	Total carrying amount	Fair value
Assets					
Interest-bearing securities issued by Group companies and loans to Group companies	7,003			7,003	7,003
Shares and participations	14,156[1]			14,156	14,156
Bonds and other interest-bearing securities	86,117[1]			86,117	86,117
Loans with collateral in fixed property	1,745			1,745	1,745
Derivatives		2,957[1]		2,957	2,957
Other financial investment assets	56			56	56
Other receivables			1,857	1,857	1,857
Prepaid expenses and accrued income			748	748	748
Cash and cash equivalents			3,648	3,648	3,648
Total	**109,077**	**2,957**	**6,253**	**118,287**	**118,287**

	Financial liabilities measured at fair value in profit and loss				
	Financial liabilities according to fair value option	Held for trading	Other financial liabilities	Total carrying amount	Fair value
Liabilities					
Derivatives		2,611		2,611	2,611
Other liabilities			897	897	897
Accrued expenses and deferred income			169	169	169
Total		**2,611**	**1,066**	**3,677**	**3,677**

The fair value of assets classified as Loans and receivables and liabilities classified as Other financial liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities since these assets and liabilities have short terms.

[1] Including amounts in the balance sheet recognised as assets for conditional bonus.

33 FAIR VALUE VALUATION TECHNIQUES

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

Group

31 Dec 2014 SEK M	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment property			1,092	1,092
Interest-bearing securities issued by Group companies and loans to Group companies	3,167	529		3,696
Shares and participations	12,411	6	3,977	16,394
Bonds and other interest-bearing securities	91,360		955	92,315
Loans with collateral in fixed property		1,805		1,805
Derivatives	16	5,512		5,528
Other financial investment assets	105	662		767
Liabilities				
Derivatives	1	5,141		5,142

31 Dec 2013 SEK M	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Investment property			1,427	1,427
Interest-bearing securities issued by Group companies and loans to Group companies	5,413	630		6,043
Shares and participations	10,095	5	4,056	14,156
Bonds and other interest-bearing securities	85,493		624	86,117
Loans with collateral in fixed property		1,745		1,745
Derivatives	15	2,942		2,957
Other financial investment assets	56			56
Liabilities				
Derivatives	532	2,079		2,611

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013.

There are not normally active markets for investment property, which is why fair value is estimated using models based on discounted cash flows. These models are based on assumptions about future rent levels, occupancy, operating and maintenance expenses, yield requirements and interest-rate levels. The method applied to the calculation of fair value is the revaluation technique. All valuations are performed by external, independent valuation companies.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change level 3 SEK M	Investment property	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2013	1,435	4,247	627	6,309
Acquisitions				–
Divestments		–253		–253
Recognised in profit and loss	–8	62	–4	50
Closing balance, 31 December 2013	**1,427**	**4,056**	**624**	**6,107**
Opening balance, 1 January 2014	1,427	4,056	624	6,107
Change in opening balance[1]		–210	210	–
Acquisitions			118	118
Divestments	–348	–441	–28	–817
Recognised in profit and loss	13	572	31	616
Closing balance, 31 December 2014	**1,092**	**3,977**	**955**	**6,024**

[1] During the year, two holdings were reclassified from shares and participations to bonds and other interest-bearing holdings.

33 FAIR VALUE VALUATION TECHNIQUES, CONT.

Financial assets and liabilities measured at fair value in the statement of financial position are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed on an active market.
Level 2 refers to prices determined by calculated prices of observable market data.
Level 3 refers to prices based on own assumptions and judgements.

Parent Company

31 Dec 2014 SEK M	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	3,167	529		3,696
Shares and participations	12,411	6	3,977	16,394
Bonds and other interest-bearing securities	91,360		955	92,315
Loans with collateral in fixed property		1,805		1,805
Derivatives	16	5,512		5,528
Other financial investment assets	105	662		767
Liabilities				
Derivatives	1	5,141		5,142

31 Dec 2013 SEK M	Level 1	Level 2	Level 3	Total carrying amount
Assets				
Interest-bearing securities issued by Group companies and loans to Group companies	6,373	630		7,003
Shares and participations	10,095	5	4,056	14,156
Bonds and other interest-bearing securities	85,493		624	86,117
Loans with collateral in fixed property		1,745		1,745
Derivatives	15	2,942		2,957
Other financial investment assets	56			56
Liabilities				
Derivatives	532	2,079		2,611

There were no significant transfers between Level 1 and Level 2 during 2014 or during 2013. There were no transfers from Level 3 in 2014 or 2013.

Shares and participations in Level 3 are measured at equity per share based on the most recent company report. Delisted, insolvent companies are measured at zero, if no other listing can be found. Holdings in private equity funds classified as shares in Level 3 are valued externally by the manager of each fund. The valuation of each fund is based on the valuation of the fund's holdings in portfolio companies. The valuation of underlying portfolio companies is based on systematic comparisons with market-listed comparable companies or on a value based on a relevant third-party transaction. In certain cases, the valuations are based on discounted cash flows or methods based on other unobservable data. The valuation is performed in accordance with industry practice, for example, International Private Equity and Venture Capital Valuation Guidelines, which are supported by many industry organisations, such as the EVCA (European Venture Capital Association).

Bonds and other interest-bearing securities that are not listed on an active market comprise interest-bearing, unlisted loans that are valued using unobservable market data and are classified according to measurement Level 3. Valuations are performed by external managers based on generally accepted valuation techniques, which means that the underlying holdings held by the issuer of the loan are valued based on relevant observable market data wherever available, and holdings for which market data is not available are measured at a fair value corresponding to the cost adjusted for any impairment.

Gains and losses are recognised in profit and loss under Investment income, revenue and Investment income, expenses. For information on determination of fair value, valuation techniques and inputs, see note 1 Accounting policies.

Change level 3

SEK M	Shares and participations	Bonds and other interest-bearing securities	Total
Opening balance, 1 January 2013	4,247	627	4,874
Acquisitions			
Divestments	–253		–253
Recognised in profit and loss	62	–4	58
Closing balance, 31 December 2013	**4,056**	**624**	**4,680**
Opening balance, 1 January 2014	4,056	624	4,680
Change in opening balance[1)]	–210	210	
Acquisitions		118	118
Divestments	–441	–28	–469
Recognised in profit and loss	572	31	603
Closing balance, 31 December 2014	**3,977**	**955**	**4,932**

1) During the year, two holdings were reclassified from shares and participations to bonds and other interest-bearing holdings.

34 NET INVESTMENT INCOME, PER MEASUREMENT CATEGORY

	Group		Parent Company	
SEK M	31 Dec 2014	31 Dec 2013	31 Dec 2014	31 Dec 2013
Investment income, per measurement category				
Financial assets measured according to fair value option	12,764	259	12,764	259
Held for trading	158	–2,021	158	–2,021
Loans and receivables	169	198	169	198
Items not distributed by category				
Exchange-rate gains/losses, net	–1,221	62	–1,221	62
Dividends in Group companies and associated companies	–	45	267	45
Depreciation/amortisation and impairment of shares and participations	–14	–60	–175	–60
Asset management expenses	–215	–170	–215	–170
Non-financial items included in investment income, net	382	–57	328	–39
Total	**12,023**	**–1,744**	**12,075**	**–1,726**

35 RECOVERY DATES

	Group 2014		Group 2013		Parent Company 2014		Parent Company 2013	
SEK M	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year	Not more than 1 year	More than 1 year
Assets								
Property and equipment	–	2	–	1	–	2	–	1
Investment property	–	1,092	–	1,427	–	–	–	–
Shares and participations in Group companies	–	–	–	–	–	671	–	579
Interest-bearing securities issued by Group companies and loans to Group companies	609	3,087	972	5,071	609	3,874	972	6,031
Shares and participations in associated companies	–	211	–	252	–	225	–	251
Shares and participations	–	12,348	–	10,276	–	12,348	–	10,276
Bonds and other interest-bearing securities	11,053	79,482	9,877	74,253	11,053	79,482	9,877	74,253
Loans with collateral in fixed property	–	1,805	–	1,745	–	1,805	–	1,745
Derivatives	5,408	109	286	2,560	5,408	109	286	2,560
Other financial investment assets	–	767	–	56	–	767	–	56
Assets for conditional bonus	77	5,760	89	5,889	77	5,760	89	5,889
Provision for claims outstanding	88	388	73	532	88	388	73	532
Other receivables	1,574	–	2,003	–	1,563	–	1,857	–
Deferred tax assets	–	–	–	0	–	–	–	–
Current tax asset	64	–	60	–	64	–	60	–
Cash and cash equivalents	3,864	–	3,648	–	3,864	–	3,648	–
Accrued interest and rental income	938	–	748	–	938	–	748	–
Prepaid acquisition costs	256	1	104	232	256	1	104	232
Other prepaid expenses and accrued income	–	–	0	–	–	–	0	–
Total	**23,931**	**105,052**	**17,860**	**102,293**	**23,920**	**105,432**	**17,714**	**102,404**
Liabilities								
Life-assurance reserve	5,554	89,330	5,675	83,708	5,554	89,330	5,675	83,708
Provision for claims outstanding	357	1,931	380	1,822	357	1,931	380	1,822
Conditional bonus	77	5,760	89	5,889	77	5,760	89	5,889
Provisions for pensions and similar commitments	–	26	–	21	–	–	–	38
Deferred tax liabilities	–	114	–	117	–	–	–	–
Other provisions	8	2	8	–	7	3	7	–
Deposits from reinsurers	88	388	73	532	88	388	73	532
Liabilities, reinsurance	17	–	27	–	17	–	27	–
Derivatives	3,777	1,365	17	2,594	3,777	1,365	17	2,594
Other liabilities	2,269	–	1,707	–	2,994	–	2,086	–
Other accrued expenses and deferred income	378	5	378	–	358	11	358	–
Total	**12,525**	**98,921**	**8,353**	**94,683**	**13,229**	**98,813**	**8,712**	**94,575**

36 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC.

Organisation

Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies and 16 local insurance companies.

Joint operations are conducted in the Länsförsäkringar AB Group, which provides services to Länsförsäkringar Liv. This pertains to development, maintenance, services such as financial, legal, life-assurance administration, asset management, risk control, compliance, security, staff, communication plus operation, management and development of joint IT systems. The organisation means that there are a large number of ongoing transactions and a few non-recurring transactions between the companies within the Länsförsäkringar Alliance.

Related legal entities and related parties

Länsförsäkringar Liv's operations are conducted in accordance with mutual principles. This means that no profits may be distributed to shareholders.

Related legal entities include all companies within the Länsförsäkringar AB Group, the regional insurance companies and the local insurance companies. All of these companies combined comprise the Länsförsäkringar Alliance. Related key persons are Board members, senior executives and their close family members and companies owned by them.

Remuneration of Board members and senior executives in Länsförsäkringar Liv is found in note 9 Employees, staff costs and remuneration of senior executives. In all other respects, no transactions took place between these individuals and their related parties apart from normal customer transactions.

Guidelines for managing conflicts of interest

It is important that there is a well-functioning system to prevent disguised dividends or other non-permitted capital use, while utilising policyholders' interest in enjoying economies of scale and other benefits from being part of a group. Länsförsäkringar Liv's Board of Directors has established guidelines for managing conflicts of interest aimed at serving as a tool to promote internal control.

Cost price policy

To achieve accurate cost distribution, the overall starting point for pricing transactions with related legal entities is that pricing must be based on direct and indirect costs and that the pricing must be based on the cost price policy. The cost price policy entails that the price is set in the form of a total cost that is not charged with any profit mark-up. In addition, no pricing may exceed the market level.

The pricing and cost distribution of services in development and maintenance of general IT systems and other services is currently distributed in groups of basic services (for example, expenses for rents, workplaces and shared functions), mandatory services (for example, joint development and IT) and individual services. The common factor for these is that costs must be distributed as far as possible based on an assessment of actual utilisation.

Basic services include the basic service offering provided by Länsförsäkringar AB to Länsförsäkringar Liv through the Group-wide units. Group overheads pertain to costs consisting of Länsförsäkringar AB's President and staff, as well as expenses that are directly due to the fact that Länsförsäkringar AB with its subsidiaries is a Group. The mandatory services also include common development and service, maintenance and development of the shared brand, as well as management and operation of the Alliance's joint IT systems provided by Länsförsäkringar AB. In addition, there is a price list for individual services, for example, project management. Individual services pertain to services that are individually priced and which Länsförsäkringar Liv may choose to purchase from Länsförsäkringar AB when necessary.

Prices and cost distribution within the Länsförsäkringar AB Group are prepared in the Group's Pricing Committee and in the joint corporate management, which includes the President of Länsförsäkringar Liv. The Board of Länsförsäkringar Liv then decides on the price list and cost distribution for the coming year in conjunction with the annual business planning.

Decision-making process

The transactions are based on written agreements at market standards and terms. The decision-making documentation prior to a new agreement with related legal entities must be written and contain a risk assessment for conflicts of interest. The decision-making documentation must also include a brief requirement and impact analysis, as well as the person responsible for the transaction.

There are assignment agreements that regulate the assignments that Länsförsäkringar Liv has undertaken on behalf of Länsförsäkringar AB or another related party. The assignment agreements also state how control and planning of the outsourced operation is to take place. There are also specifications for assignment agreements that describes each assignment's service content, service level and execution.

Monitoring

Cost distribution is followed up on a monthly basis. The total costs and internal costs are reported to the Board of Länsförsäkringar Liv and corporate management.

The policies are documented in the finance handbook and prices for purchased services are published on Länsförsäkringar's intranet.

Länsförsäkringar Liv's transactions with related parties

The following section provides a description of the most significant related-party transactions in 2014.

1) IT services and products from Länsförsäkringar AB

Länsförsäkringar AB provides IT services and products according to a framework agreement since 2004. Pricing is based on the cost price policy. Costs for joint financial infrastructure are distributed according to various keys depending on the service to provide the most accurate picture possible. The framework agreement applies until further notice, with a 12-month period of notice.

2) Service and development from Länsförsäkringar AB

A more detailed description of pricing and organisation for these services is available in the above section about regulations for internal transactions of an ongoing nature.

Mandatory services within Länsförsäkringar Alliance

Costs for the mandatory services in the Länsförsäkringar AB Group are distributed among the three core business segments Non-life, Life assurance and Bank. The total operational costs are used as the distribution basis between the core businesses where no clear cost driver can be identified.

Individual service within Länsförsäkringar Alliance

Prices for individual services are set to reflect consumption of the product or service and invoicing is according to agreement with the customer.

Basic service in the Länsförsäkringar AB Group

The service centre and each Group-wide unit that provides basic service within the Länsförsäkringar AB Group prepares an annual documentation displaying the units that are counterparties, the products and services provided, content, service level, price structure and price level. This pertains, for example, to such services as IT, rent for premises and asset management. Länsförsäkringar Liv leases premises from Länsförsäkringar AB and pays market-based rent. The lease contract applies until 31 December 2016.

Costs for Group overhead

The costs for Group overhead are distributed between the units within the Länsförsäkringar AB Group. For Group overhead, a document must be prepared annually providing details on costs, meaning the services and activities executed and the staff/function responsible, how these costs are distributed between the business units, etc.

3) Bonds in Länsförsäkringar Hypotek AB

Länsförsäkringar Liv's traditional life-assurance company owns listed bonds issued by Länsförsäkringar Hypotek AB with a fair value of SEK 2,110 M (4,394).

4) Regional insurance companies' distribution remuneration

Länsförsäkringar Liv pays remuneration to the regional insurance companies for sales and customer care. Remuneration levels are regulated through agreements. In 2014, remuneration for new sales and additional occupational insurance was paid to the regional insurance companies. Throughout 2014, premium-based remuneration was also paid, as well as remuneration for portfolio management based on premiums paid and in some cases as individual remuneration.

5) Service offerings between Länsförsäkringar Liv and Länsförsäkringar Fondliv

Länsförsäkringar Liv purchases administrative services from Länsförsäkringar Fondliv. The service offerings are regulated through agreements. A new agreement applies from 2014. Pricing is based on the cost price policy and then a fixed price per insurance over three years (2014–2016). Services primarily pertain to life-assurance administration, IT management, administration of risk business, risk assessment and claims adjustment.

6) Asset management in Länsförsäkringar AB and with external managers

Länsförsäkringar AB is commissioned by Länsförsäkringar Liv to manage investment assets through its asset management department and a number of external managers. For management, Länsförsäkringar Liv pays remuneration in relation to its proportion of the asset management department's actual operating expenses. The remuneration is calculated on cost price applicable at any time pursuant to adopted financial control policies within the Länsförsäkringar AB Group. For external management, the companies pay remuneration of a corresponding amount and on the same date as Länsförsäkringar AB pays remuneration to external managers. The agreement applies until further notice, with a 12-month period of notice.

7) Management remuneration from Länsförsäkringar Fondförvaltning AB
Länsförsäkringar Fondförvaltning provides management remuneration for managing New World products. The cooperation agreement applies until further notice, with three months' period of notice.

8) Occupational pensions for employees of the Länsförsäkringar Alliance
Länsförsäkringar Liv provides occupational pensions for employees of the Länsförsäkringar Alliance. These pension benefits are based on agreements in the Swedish labour market and the premiums are market-based.

9) Bonds and subordinated debts in Länsförsäkringar Bank AB
Länsförsäkringar Liv owns listed bonds issued by Länsförsäkringar Bank AB with a fair value of SEK 527 M (490), as well as listed subordinated debts in Länsförsäkringar Bank AB with a fair value of SEK 530 M (529).

10) Loans to Humlegården Holding I–III AB
In conjunction with the divestment of property-owning companies to Humlegården Holding I–III AB, based on market terms, loans amounting to SEK 1.7 billion were paid to the purchasers.

11) Loans to companies within the Life Group
There are a number of promissory notes between Länsförsäkringar Liv and the wholly owned property companies, as well as between the companies within the property group. Interest income for transactions within Länsförsäkringar Liv is presented in the table below.

12) Reinsurance agreements with the regional insurance companies
On 1 January 2007, Länsförsäkringar Liv signed excess loss reinsurance with 22 of the 24 regional insurance companies pertaining to life contingency. The excess loss reinsurance model is based on the risk business to be reinsured within the Länsförsäkringar Alliance being distributed based on participations. The participations are distributed based on the regional insurance companies' share of premium income in Länsförsäkringar Liv. The agreement applies for one calendar year at a time, with six-month period of notice. In 2014, Länsförsäkringar Liv terminated the agreement with all 23 regional insurance companies that participated in the excess loss reinsurance model during the year. This means that commitments will cease after 31 December 2014. The amount of SEK 10 M (19) stated in the table below for related-party transactions is net of the reinsurance business.

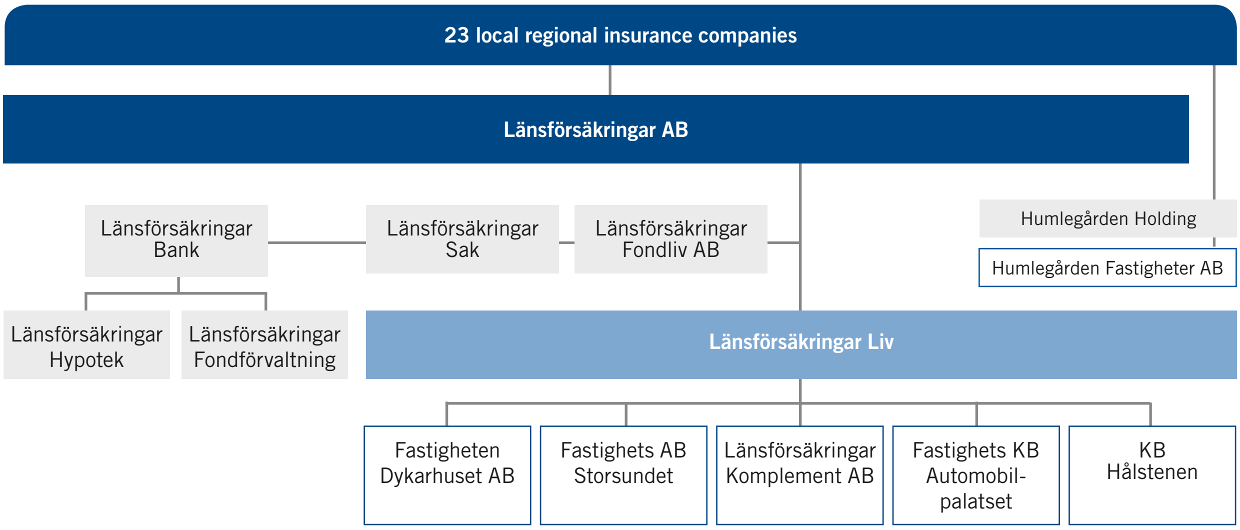
13) Agreement on property management with Humlegården Fastigheter AB:
Länsförsäkringar Liv pays remuneration calculated at cost price to Humlegården Fastigheter AB for the management of Länsförsäkringar Liv's Stockholm properties.

14) Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance:
Cooperation with Länsförsäkringar Sak regarding procurement of catastrophe reinsurance. Länsförsäkringar Liv has commissioned Länsförsäkringar Sak's Reinsurance department to take responsibility for the procurement and administration of non-proportional reinsurance of catastrophe risks. This cooperation entails that the parties will share the reinsurance cover. The premium amounted to SEK 1.6 billion (1.6). No disaster claims were incurred during the year.

15) Agreement on transfer of personnel from Länsförsäkringar Liv to Länsförsäkringar Fondliv:
In conjunction with Länsförsäkringar Liv outsourcing operations to Länsförsäkringar Fondliv, personnel were transferred from Länsförsäkringar Liv to employment with Länsförsäkringar Fondliv. Länsförsäkringar Fondliv paid compensation for this transfer to Länsförsäkringar Liv.

16) Agreement with Länsförsäkringar Fondliv regarding compensation for transfer of capital between the companies:
Premium flows currently take place between Länsförsäkringar Liv and Länsförsäkringar Fondliv when management forms are changed. Länsförsäkringar Liv and Länsförsäkringar Fondliv have agreed that the companies will pay compensation to each other based on commercial terms for the expenses arise when insurance capital is transferred between the two companies. This compensation is to be at a level corresponding to the transfer fees that apply at any time for external transfers from each party. Settlement is to take place every quarter between the parties according to separate accounts.

17) Länsförsäkringar Liv's divestment of Länsförsäkringar Fondliv to Länsförsäkringar AB
In 2011, Länsförsäkringar Liv divested all shares in Länsförsäkringar Fondliv to Länsförsäkringar AB. An additional purchase price of SEK 50 M (100) was received in 2014 as according to the agreement.



The image is not a complete organisational diagram. White boxes show subsidiaries. Grey boxes show other Group companies and the dark-blue boxes show the owners. Länsförsäkringar Liv is not consolidated in the Länsförsäkringar AB Group.

36 DISCLOSURES ON RELATED-PARTY TRANSACTIONS, ETC. CONT.

The tables below show the significant related-party transactions between companies within Länsförsäkringar Liv and legal entities closely related to the Group, as reported above. All amounts in SEK M.

Länsförsäkringar Liv's transactions with related parties

		2014		2013		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
IT products and services	Länsförsäkringar AB	–	55	–	247	1
Service and development, of which	Länsförsäkringar AB	–	92	–	159	2
– Individual service		–	17	–	–	
– Mandatory services		–	6	–	8	
– Basic service		–	55	–	149	
– Group overhead		–	14	–	2	
Interest rate	Länsförsäkringar Hypotek AB	41	–	147	–	3
Distribution remuneration, 2014 including remuneration capital	23 regional insurance companies	–	119	–	124	4
Service offerings	Länsförsäkringar Fondliv AB	8	183	42	5	5
Asset Management	Länsförsäkringar AB	–	85	–	70	6
Management remuneration	Länsförsäkringar Fondförvaltning AB	98	–	78	–	7
Occupational pension premiums for employees of the Länsförsäkringar Alliance	Länsförsäkringar Alliance	42	–	53	–	8
Interest	Länsförsäkringar Bank AB	111	–	43	–	9
Interest	Humlegården Holding I–III	64	–	64	–	10
Interest	Länsförsäkringar Fondliv AB	–	–	2	–	
Reinsurance agreements	23 regional insurance companies	–	10	–	19	12
Property management	Humlegården Fastigheter AB	–	0	–	0	13
Catastrophe reinsurance	Länsförsäkringar Sak AB	–	2	–	2	14
Transfer of personnel	Länsförsäkringar Fondliv AB	10	–	–	–	15
Compensation for transfer of capital	Länsförsäkringar Fondliv AB	2	–	–	–	16
Additional purchase price for sale of Länsförsäkringar Fondliv	Länsförsäkringar AB	50	–	100	–	17
Total		**426**	**638**	**529**	**783**	

Transactions between Länsförsäkringar Liv and its subsidiaries

		2014		2013		
Nature	**Counterparty**	**Income**	**Expenses**	**Income**	**Expenses**	**Reference**
Interest	Länsförsäkringar Liv AB's subsidiaries	6	2	3	–	11
Total		**6**	**2**	**3**	**–**	

Related-party receivables and liabilities – Group

	31 Dec 2014		31 Dec 2013	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Länsförsäkringar Hypotek AB	2,151	–	4,505	–
Länsförsäkringar Bank AB	1,071	–	1,033	–
Länsförsäkringar AB	536	13	634	10
Länsförsäkringar Fondliv AB	16	80	430	473
Länsförsäkringar Fondförvaltning AB	8	–	8	–
Regional insurance companies	–	1	–	6
Länsförsäkringar Sak AB	–	2	–	2
Humlegården Holding I–III AB	1,805	–	1,745	–
Total	**5,587**	**96**	**8,355**	**491**

Related-party receivables and liabilities – Parent Company

	31 Dec 2014		31 Dec 2013	
Counterparty	**Receivables**	**Liabilities**	**Receivables**	**Liabilities**
Fastighets AB Storsundet	–	212	–	70
Fastighets KB Automobilpalatset	521	168	523	148
Fastigheten Dykarhuset AB	266	86	267	76
KB Hålstenen 2	–	268	171	88
Total	**787**	**734**	**961**	**382**

The company's income statement and balance sheet will be adopted at the Annual General Meeting in May 2015.

Stockholm, 3 March 2015

Karl-Olof Hammarkvist
Chairman

Birgitta Carlander
Board member

Sten Dunér
Board member

Anders Grånäs
Board member

Karin Lindblad
Board member

Ulrica Messing
Board member

Henrik Perlmutter
Board member

Karin Starrin
Board member

Gunnar Wetterberg
Board member

Marie-Louise Zetterström
Board member

Christer Ekehov
Employee representative

Thomas Norrman
Employee representative

Jörgen Svensson
President

My audit report was submitted on 5 March 2015.

Mårten Asplund
Authorised Public Accountant

This Annual Report is a translation of the Swedish Annual Report that has been reviewed by the company's auditors.

Auditor's report

Translation from the Swedish original.

To the annual meeting of the shareholders of Länsförsäkringar Liv Försäkringsaktiebolag (publ), corp. id 516401-6627

Report on the annual accounts

I have audited the annual accounts of Länsförsäkringar Liv Försäkringsaktiebolag for the year 2014.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these annual accounts based on my audit. I conducted my audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insur-ance Companies, and present fairly, in all material respects, the financial position of Länsförsäkringar Liv Försäkringsaktiebolag as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory require-ments

In addition to my audit of the annual accounts, I have also audited the proposed appropriations of the compa-ny's profit or loss and the administration of the Board of Directors and the Managing Director of Länsförsäkringar Liv Försäkringsaktiebolag for the year 2014.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act for Insurance Companies.

Auditor's responsibility

My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for my opinion on the Board of Directors proposed appropriations of the company's profit or loss I examined whether the proposal is in accordance with the Companies Act for Insurance Companies.

As basis for my opinion concerning discharge from liability, in addition to my audit of the annual accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act for Insurance Companies, the Annual Accounts Act for Insurance Companies or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the pro-posal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 5 March 2015

Mårten Asplund
Authorised Public Accountant

Corporate Governance Report

Introduction

Länsförsäkringar Liv is a wholly owned subsidiary of Länsförsäkringar AB, which in turn is owned by 23 customer-owned regional insurance companies. Länsförsäkringar Liv is operated in accordance with mutual principles, which entails that the earnings are not distributed to the owner; they remain with the customers.

Länsförsäkringar Liv complies with the applicable parts of the Swedish Corporate Governance Code (the Code). The main reason for deviations is that Länsförsäkringar Liv is not a stock-market company. Deviations from the provisions of the Code and explanations for such deviations are presented below in the "Deviations from the Code" section on page 52.

This Corporate Governance Report is unaudited.

Corporate governance

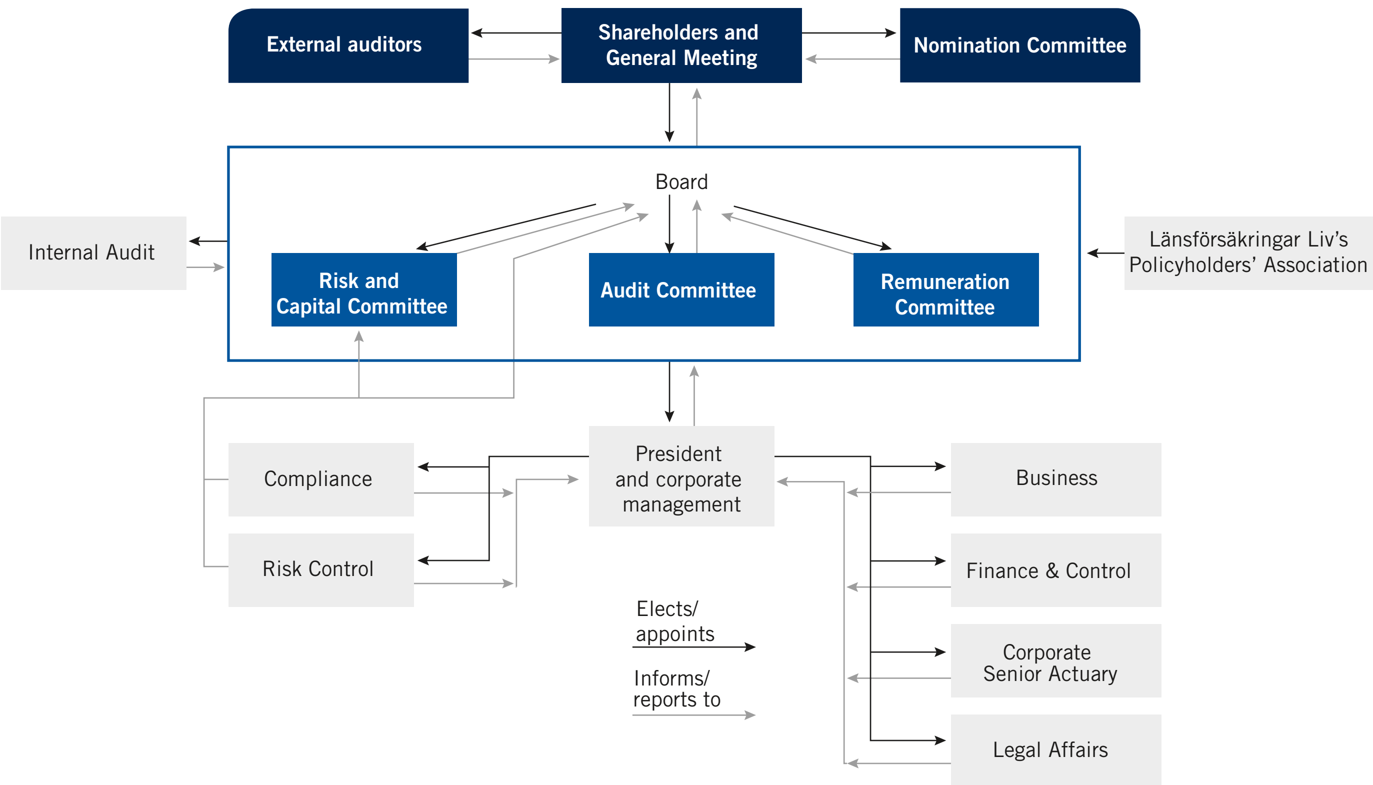
Länsförsäkringar Liv comprises the Traditional Life Assurance unit within the Länsförsäkringar AB Group. Länsförsäkringar AB has a corporate governance system, which is based on Länsförsäkringar AB's task from the owners. The Traditional Life Assurance unit aims to ensure satisfactory control and management of the unit within the framework of the corporate governance system.

The corporate governance system encompasses a number of components, such as organisational structure, decision processes, division of authorities and responsibilities, risk-management systems and internal-control systems. The risk-management system ensures that operations in the business unit are continuously able to identify, measure, monitor, manage and report risks. Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second is the Compliance and Risk Control functions and the third comprises the Internal Audit function. The second line of defence is independent in relation to the first line and the third line is independent in relation to the first and second lines. Other components in the corporate governance system include the structure for internal rules and regulations, suitability requirements pertaining to employees and Board members, continuity plans and subcontracting policies.

The distribution of work in the Länsförsäkringar AB Group is a key tool for achieving economies of scale in terms of both finance and expertise. It is also a method of implementing effective and proactive governance within the Länsförsäkringar AB Group. The operational organisation with the business activities conducted in the business units and Group-wide functions in the Parent Company was established based on this approach. Outsourcing operations to external parties is also a key tool for achieving economies of scale in terms of both finance and expertise. For this reason, a Group-wide policy for outsourcing operations has been established that stipulates the overall principles for internally and externally outsourced operations. Based on this policy, Länsförsäkringar Liv has established guidelines for outsourcing operations.

An outline of the governance and reporting structure is provided in the diagram below.

Länsförsäkringar Liv's governance structure



The company has outsourced important parts of its operations to the Parent Company Länsförsäkringar AB and fellow subsidiary Länsförsäkringar Fondliv. The main reason for this is that the greatest efficiency is deemed to be achieved by performing certain functions jointly on a Group-wide basis. The greatest efficiency is deemed to be achieved when the functions that both Länsförsäkringar Liv and Länsförsäkringar Fondliv require are conducted within Länsförsäkringar Fondliv, where new sales of business are made.

Outsourcing is described in the figure below. The unit responsible for ordering, monitoring and control of outsourced activities is the unit in the company that is responsible for the function to which the outsourced activities pertain. Specialised expertise and resources are allocated in each responsible function to ensure ordering, monitoring and control of the outsourced operations.

Shareholders and General Meeting

Shareholders exercise their voting rights at the General Meeting, which is the highest decision-making body. A General Meeting is normally held once a year, the Annual General Meeting. Länsförsäkringar AB holds 100% of the capital and votes in Länsförsäkringar Liv.

Decisions are made at the Annual General Meeting regarding the Annual Report, the election of members of the Board and auditors, fees and remuneration of Board members and auditors, and other important matters to be addressed in accordance with laws or the Articles of Association. The proposal for remuneration of Board members is specified for the Chairman and other Board members.

Nomination Committee

Nomination process

The Annual General Meeting of Länsförsäkringar AB appoints a Nomination Committee. The Nomination Committee is charged with the task of presenting, in consultation with the CEO of Länsförsäkringar AB, proposals regarding the Board of Directors and auditors of Länsförsäkringar Liv and other subsidiaries, and fees and other remuneration of these Board members and auditors.

The Nomination Committee is also responsible for ensuring that a suitability assessment of proposed Board members is performed. The Nomination Committee follows an instruction adopted by the Annual General Meeting of Länsförsäkringar AB.

The Nomination Committee prior to 2015 Annual General Meeting

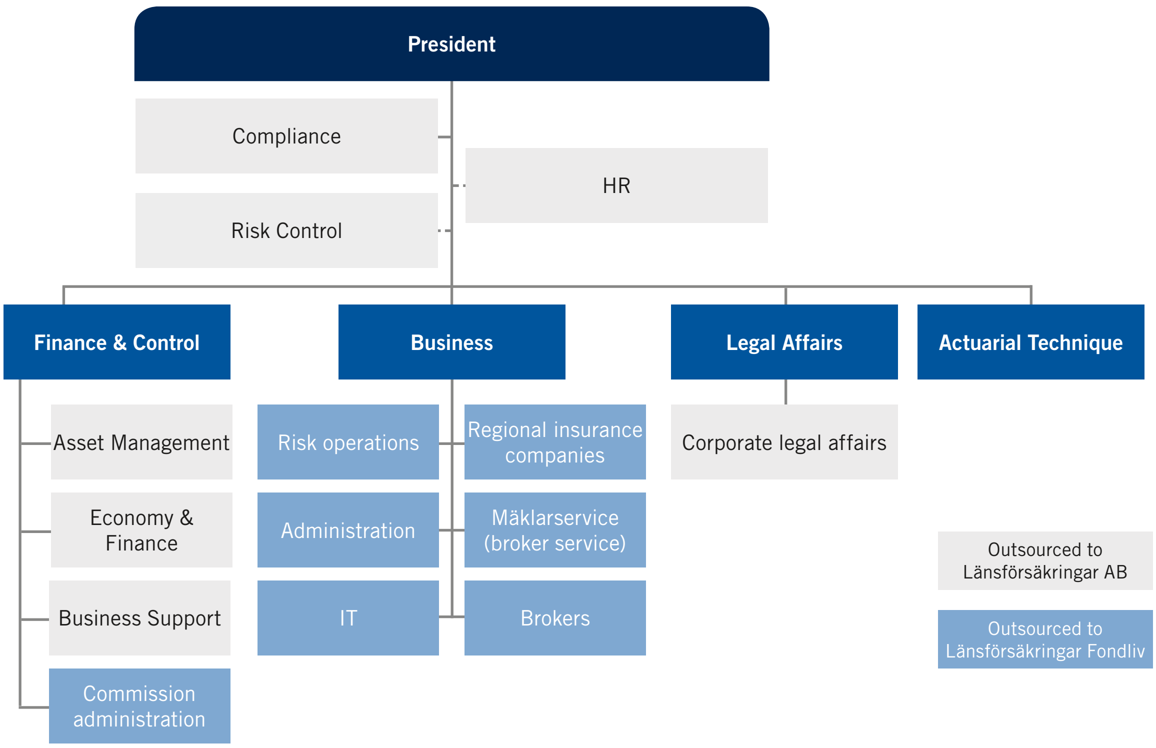
The Nomination Committee has comprised Otto Ramel (Chairman) (Länsförsäkringar Skåne), Ulf W Eriksson (Länsförsäkringar Värmland), Per-Åke Holgersson (Länsförsäkring Kronoberg), Conny Sandström (Länsförsäkringar Västerbotten) and Örian Söderberg (Länsförsäkringar Jönköping) since the 2014 Annual General Meeting.

Prior to the Annual General Meeting, the Nomination Committee has:

- studied the Board's evaluation of its own work,
- studied the Board Chairman's view of the operations, the Board's work and requirements for expertise and experience, and
- reviewed and discussed requirements for expertise and experience with respect to the needs of the operations and regulatory requirements.

Prior to the Annual General Meeting, the Nomination Committee will:

- make a decision regarding the independence of candidates,
- nominate Board members, the Board Chairman and auditors,
- carry out suitability assessments of Board members, and
- propose fees and other remuneration of Board members and auditors.



External auditors

The Annual General Meeting appoints the external auditors. Nominations are made to the Nomination Committee. In accordance with the Articles of Association, Länsförsäkringar Liv is to have between one and three auditors and between zero and three deputy auditors. At the 2012 Annual General Meeting, Mårten Asplund, KPMG AB, was appointed auditor and Anders Linér, KPMG AB, deputy auditor for the period up to the 2015 Annual General Meeting.

Länsförsäkringar Liv's Policyholders' Association

Länsförsäkringar Liv's Policyholders' Association was formed with the purpose of promoting policyholders' interests. Members of the association are appointed by the policyholders in Länsförsäkringar Liv. To secure fulfilment of the purpose and ensure that the policyholders acquire influence and insight into the company's operations, the association is entitled to appoint two members to Länsförsäkringar Liv's Board of Directors. In matters of particular significance, the association will receive special information and be able to submit special statements. Since highly significant conflicts of interest between the life-assurance and the non-life insurance collective may arise, the association is to ensure that an independent review is conducted in consultation with Länsförsäkringar AB.

Board of Directors

Composition of Board of Directors

In accordance with the Articles of Association, the Board of Directors of Länsförsäkringar Liv is to comprise between eight and 14 Board members, with between zero and six deputies. Board members are elected for a maximum mandate period of two years. In addition, members and deputies appointed by the trade-union organisations are members of the Board. The President is not a member of the Board. Länsförsäkringar Liv has no time limit for the length of time a member may sit on the Board and no age limit for Board members. Two of the members are appointed by Länsförsäkringar Liv's Policyholders' Association. A majority of the Board members, including the employee representatives, must be independent in relation to Länsförsäkringar Liv and other companies in the same Group. The Chairman of the Board is appointed by the Annual General Meeting.

The Board currently comprises 12 regular members and two deputies. Eight of the members are appointed by the General Meeting, two by Länsförsäkringar Liv's Policyholders' Association and two members and two deputies by the trade unions. Seven of the members are independent. The Board members are listed on pages 54 and 55 of the company's Annual Report.

Board responsibilities and allocation of duties

The Board is responsible for the organisation and administration of the company and decisions on issues of material significance and of an overall nature relating to the company's operations. The Board appoints, evaluates and dismisses the President, adopts an appropriate organisation and the goals and strategies of the operations, and ensures that efficient systems are in place for risk management and internal control.

Every year, the Board adopts a formal work plan. The formal work plan includes regulations on the duties and responsibilities of the Board, its Chairman and its members, the delegation of duties within the Board, the lowest number of Board meetings, procedures for reporting on the operations and financial statements, as well as procedures for Board meetings in terms of notices of meetings and presentations of materials, as well as conflicts of interest and disqualification.

The Board is to continuously remain informed about the performance of the company to be able to continuously assess the company's financial situation and position. Through its formal work plan, the Board has established that financial reporting is to take place in accordance with established instructions and through regular Board meetings.

The Board must also regularly manage and evaluate the company's risk development and risk management. During the year, the Board regularly reviews the company's earnings and sales trends, financial position and risk trends in relation to the business plan and forecasts. The Board receives regular reports from Compliance, Risk Control and Internal Audit. The Board continuously monitors current matters with authorities.

Chairman

According to the formal work plan, the Chairman is to lead the Board's work and ensure that the Board fulfils its duties. The Chairman is also to ensure that the Board meets as required, that Board members are provided with the opportunity to participate in meetings and receive satisfactory information and documentation for decision-making, and apply an appropriate working methodology. Through ongoing contact with the President, also between Board meetings, the Chairman is to remain informed of significant events and developments in the company, and support the President in his work.

Work of the board

In its formal work plan, the Board has established annually recurring items of business and a standard for its agenda and information and decision-making material. In a company directive, the Board has established the company's operational structure and clarified the allocation of responsibilities between the various units and executives in the company.

In addition to the Board's formal work plan and the company directive, the Board establishes a directive at least once per year for the President, risk policy, insurance guidelines, investment guidelines and guidelines for managing conflicts of interest as well as a large number of governance documents for the operations.

The Board has established a Risk and Capital Committee, an Audit Committee and a Remuneration Committee. The duties of the Committees are determined by the Board in its separate formal work plans for the Committees. None of the Committees has any general decision-making mandate. Each Committee must regularly report on its activities to the Board.

The Board conducts annual strategic seminars and evaluates the President's work and terms of employment. The Board meets the company's auditor at least once per year. See also the Audit Committee section below.

The dates of Board meetings are established at the first scheduled meeting following the Annual General Meeting for the next 18-month period. A notice of each meeting, including a preliminary agenda, is sent out about 14 days prior to the meeting. Documentation for the meeting is normally distributed about one week prior to the meeting. All documents and materials presented at the meeting are saved electronically.

During 2014, the Board devoted particular attention to, and took several training courses in, the new capital adequacy rules for insurance companies, Solvency II.

The number of Board meetings and members' attendance at these meetings are presented in the table below.

Evaluation of the Board's work

Every year, the Board Chairman initiates an evaluation of the Board's work. The 2014 evaluation was based on an electronic survey completed by the Board members. The results were compiled, reported to and discussed by the Board. The results were submitted to the Nomination Committee

Risk and Capital Committee

The Risk and Capital Committee is to support the Board in risk and capital adequacy issues and serve as a forum for analysing and holding in-depth discussions on Länsförsäkringar Liv's level of risk-taking and capital requirements. Prior to Board meetings, the Committee is to discuss and address issues relating to the following:

– Risk policy.
– The methods, models and valuations of the company's partial internal model.
– Internal risk and capital assessment.
– Follow-up of risk trends and potential deviations from risk limits.

At the first Board meeting held after the 2014 Annual General Meeting, Karl-Olof Hammarkvist was appointed Chairman, and Birgitta Carlander, Sten Dunér and Gunnar Wetterberg were appointed members of the Risk and Capital Committee.

Audit Committee

The Audit Committee is responsible for preparing the Board's work in the following areas:

• Monitoring the company's financial reporting.
• Regarding the financial reporting, monitoring the effectiveness of the company's internal control, internal audit and risk management.
• Remaining informed of the audit of the Annual Report and consolidated financial statements.
• Examining and monitoring auditors' impartiality and independence and, in this respect, devoting particular attention to any services other than auditing services that the auditor provides to the company.
• Monitoring the efficiency of the company's and corporate governance system and control of the operational risks.

At the first scheduled Board meeting after the 2014 Annual General Meeting, Ulrica Messing (chairman), Sten Dunér, Anders Grånäs and Marie-Louise Zetterström were appointed members of the Audit Committee.

Remuneration Committee

The Remuneration Committee is to prepare issues on remuneration of the President and other members of corporate management and employees with overall responsibility for any of the company's control functions, as well as prepare decisions for measures to monitor application of the remuneration policy.

At the first scheduled Board meeting after the 2014 Annual General Meeting, Karl-Olof Hammarkvist (chairperson), Gunnar Wetterberg and Sten Dunér were appointed members of the Remuneration Committee.

Board meetings and attendance

The table below shows the number of meetings held in each body since the 2014 Annual General Meeting until January 2015, and the attendance by each Board member:

	Independent members	Board of Directors	Risk and Capital Committee	Audit Committee	Remuneration Committee[1]
Total number of meetings		6	3	3	1
Birgitta Carlander	x	6	2	–	–
Lars Dahl (deputy)		3	–	–	–
Sten Dunér		5	3	3	x
Christer Ekehov		5	–	–	–
Bitte Franzén Molander (deputy)		5			
Anders Grånäs		5	–	3	–
Karl-Olof Hammarkvist	x	5	3	–	x
Karin Lindblad	x	6	–	–	–
Ulrica Messing	x	6	–	3	–
Thomas Norrman		3	–	–	–
Henrik Perlmutter	x	6	–	–	–
Karin Starrin		6	–	–	–
Gunnar Wetterberg	x	6	3	–	x
Marie-Louise Zetterström[2]	x	5	–	2	–

1) The Remuneration Committee held one meeting in 2014, which took place on 27 February.
2) Member of the Audit Committee from 12 June 2014

President and corporate management

Jörgen Svensson has been the President of Länsförsäkringar Liv since May 2008. He was born in 1959. The organisational structure of Länsförsäkringar Liv is divided into departments. In addition, there are three control functions: Risk Control, Compliance and Internal Audit. Corporate management comprises the President and the heads of the departments. Management discusses and decides on matters pertaining to the business unit.

Control functions

Internal Audit

Internal Audit is an independent review function that comprises the Board's support in the evaluation of the corporate governance system, including the organisation's risk management, governance and controls. Based on its reviews, Internal Audit is to evaluate and assure that the operations' overall internal governance and control systems are conducted in an efficient manner and that the overall reporting to the Board provides a true and fair view of the operations, that the operations are conducted in accordance with applicable internal and external regulations, and in compliance with the Board's decisions and intentions. The Board has adopted a separate instruction for the internal audit function.

The results of the Internal Audit's review are reported in summary to the Board and in more detail to the Audit Committee.

Compliance

The role of compliance is to provide support and control for ensuring that the operations comply with regulatory requirements. The function identifies and provides information about such issues as risks that may arise due to non-compliance with regulations, assists in formulating internal rules, monitoring regulatory compliance and ensures that the operations are informed about new and amended regulations. Compliance risks and actions taken are to be regularly reported to the President and the Board. Compliance also has a function for counteracting money laundering.

Risk Control

Risk Control is to provide support for the President, management and operating units in fulfilling their responsibility to conduct operations with a high level of risk control. Risk Control reports regularly to the President and the Board.

Deviations from the Code

The major deviations from the provisions of the Code and explanations for such deviations are presented below.

Nomination Committee, notice and holding of Annual General Meeting

Deviation from the provisions of the Code with respect to the fact that the company is not a stock-market company and only has one shareholder.

Period of office for Board members

The company deviates from the Code's provision of a maximum mandate period of one year due to the supremacy of the Annual General Meeting to dismiss and appoint a Board member irrespective of their term. A mandate period of more than one year contributes to ensuring continuity and establishing competence within the Board.

Composition of Audit Committee

A deviation from the Code's requirements regards the independence of a majority of the members of the Committee in relation to the company and corporate management due to the structure, governance and working methods of the Länsförsäkringar Alliance.

INTERNAL CONTROL AND RISK MANAGEMENT RELATING TO FINANCIAL REPORTING

The Board of Directors is responsible for governance and control of the operations. This responsibility includes the preparation of an efficient system for risk management and internal control. The risk-management system is to ensure that, for example, risks can be continuously identified, managed and reported. Internal control is a process designed to provide reasonable assurance that the objectives of the operations are achieved in terms of appropriate and effective business operations, reliable financial reporting and information about the operations and compliance with applicable internal and external regulations. The internal-control system encompasses all parts of the organisation and is an integral part of each operation within the Group. A key part of the internal control is the control of outsourced operations (see also the section on Corporate governance above).

Internal control is based on a system comprising three lines of defence. The first line of defence is the operations, the second is the Compliance and Risk Control functions and the third the Internal Audit function. The second and third lines of defence are independent in relation to the first line.

The purpose of the internal control of the financial reporting is to manage risks in the processes pertaining to the preparation of the financial reporting and to achieve a high level of reliability in such reporting.

Control environment

The foundation of internal control relating to financial reporting is the control environment, consisting of the organisation, decision processes and allocation of authorities and responsibilities among the various bodies that the Board of Directors and the President have established. The control environment also includes the values and corporate culture that the Board, President and management communicate and work from to create effective and efficient operations.
The task of the Audit Committee is to assume responsibility for preparing the Board's quality assurance of the financial reporting and to monitor the efficiency of the internal governance and control. The Committee is also to prepare the direction, scope and coordination of the work of the Internal Audit and study the observations and recommendations from the external auditors.

The internal control and risk management process is based on the control environment and involves four main activities: risk assessment, control activities, information and communication, and monitoring.

Risk assessment

Risk assessment includes identifying and analysing the source of risks affecting internal control relating to financial reporting. The company is governed using joint processes, in which risk management is built into every process and various methods are used to measure and limit risks and to ensure that identified risks are managed in accordance with established governance documents.

Based on the risk analysis, processes and control activities associated with key risks are mapped to identify material errors in the financial reporting.

Control activities

Risks in the financial reporting are controlled through carefully prepared financial statements, standardised work routines with built-in control functions and by evaluating ongoing improvements. The financial information is analysed and reviewed at various organisational levels before being presented publicly.

Efforts are ongoing to eliminate and reduce identified significant risks affecting the internal control of financial reporting. This includes the development and improvement of control activities, and efforts to ensure that employees have the appropriate expertise.

Information and communications

Internal governance documents are subject to review and reassessment at least once a year. Governance documents are published on the company's intranet. Every manager must ensure that the regulations are communicated to subordinate staff.

Monitoring

Activities to ensure compliance with external and internal regulations take place in each part of the operations. The Internal Audit function was established to support the Board in following up and ensuring that the scope and direction of the operations comply with the guidelines issued by the Board and that the operations are conducted in accordance with the targets established by the Board. Based on its reviews, the Internal Audit function is to form an opinion as to whether the operations are conducted in an efficient manner, whether reporting to the Board provides a true and fair view of the operations, and whether the operations are conducted in accordance with applicable internal and external regulations. The Internal Audit function reports to the Board of Directors. In addition, each manager is to ensure compliance with governance documents in their area of responsibility and that procedures for self-assessments are in place.

The Compliance function's task is to identify, assess, monitor and report compliance risks, meaning the risk that non-compliance could tarnish the reputation of the company or result in financial losses or sanctions in accordance with legislation or regulations. The Compliance function reports to the President and the Board of Directors.

Internal control over financial reporting

Internal control over financial reporting (ICFR) is a process for evaluating the reliability of financial reporting. Work with this process began in 2013 and the Länsförsäkringar Liv together with the Länsförsäkringar AB Group works continuously to develop the methodology. The ICFR process is performed in an annual cycle as shown in the diagram below.

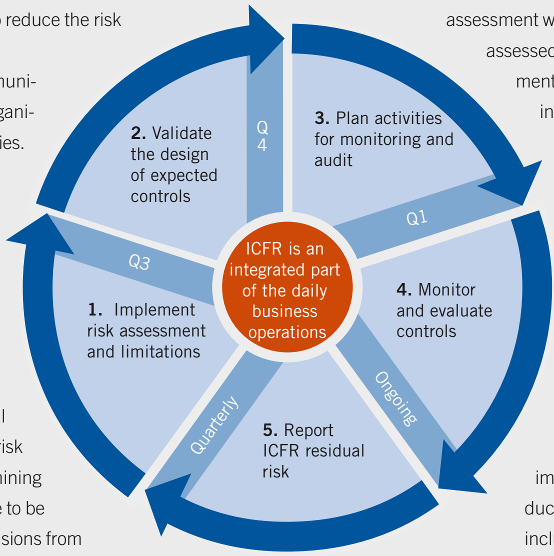
2. Validate the design of expected controls

Internal control over financial reporting includes company-specific and Group-wide controls, as well as process and IT controls. The purpose of the controls is to reduce the risk of misstatement in financial reporting.

The control structure is regularly communicated to the relevant individuals in the organisation to clarify the division of responsibilities.

3. Plan activities for monitoring and audit

A plan for the quarterly self-assessment is produced and communicated with the operations. The plan sets out when the assessment will take place, the controls that will be assessed and the person responsible for the assessment. ICFR will be subject to review by both an internal and external audit. The first annual meeting to coordinate the reviews of both internal and external auditors was held in 2014.



1. Perform risk assessments and define limitations/scope

Risk assessments are performed annually at company and the Länsförsäkringar AB Group to identify the risk of material misstatement in financial reporting. The risk assessment provides the basis for determining the units, processes and systems that are to be covered by the ICFR process. The conclusions from the risk assessments are compiled in an annual scoping report in which the scope and goal scenario for the coming year is described and presented to the Audit Committee.

4. Monitor and evaluate controls

Monitoring includes, for example, quarterly self-assessment of the completed controls. The monitoring process can identify weaknesses in the ICFR process, implement compensating controls and introduce improvement measures. The process also includes evaluating the controls and their effectiveness. The objective is for Länsförsäkringar Liv to reach a monitored level.

5. Report ICFR residual risk

The results of the self-assessment are compiled and analysed to determine the risk of misstatement in financial reporting. These are summarised in a report to the CFO and the Audit Committee. The report describes the residual risk after the self-assessment, and the compensating controls adopted by the operations to reduce risk in financial reporting. The report contributes to transparency in the organisation and shows how the implementation of ICFR is progressing. The report also provides an important basis for prioritisation in the continuing process.

In addition to the process described above, Internal Audit also performs an independent review of selected ICFR risks and controls, in accordance with the plan adopted by the Audit Committee. The results of Internal Audit's review, and recommendations, are reported regularly to the Audit Committee.

Board of Directors and auditors

Karl-Olof Hammarkvist

Chairman.
Born 1945. Associate professor, President. Elected: 2006. **Education:** Doctor of Philosophy in Business and Economics, associate professor, also held position of adjunct professor. **Other Board appointments:** Deputy Chairman of Foundation for Financial Research, Board member of Bertil Danielsson Foundation and Swedish-Spanish Foundation. **Previous experience:** Member of management of Skandia International, Skandia and Nordbanken/Nordea, Vice-Chancellor President of the Stockholm School of Economics.

Birgitta Carlander

Born 1952. Master of Science in Agriculture, Master of Science in Business and Economics. Elected: 2011. **Education:** Master of Science in Agriculture and Economics, adjunct training. **Other Board appointments:** Board member of Skaraborg County nursing home, Skaraborgsgrisen ek. för. **Previous experience:** Chairman of Lantmännens Research Foundation, Cerealiastiftelsen, VL-stiftelsen, Board appointments in ODAL, Lantmännens, SW, Cerealias and LM Group.

Sten Dunér

Born 1951. President of Länsförsäkringar AB. Elected: 2009. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Länsförsäkringar Sak, Länsförsäkringar Bank and Länsförsäkringar Fondliv, Board member of Insurance Sweden, Swedish Insurance Employers' Association (FAO) and Fastighets AB Balder. **Previous experience:** CFO and other senior positions at Länsförsäkringar AB.

Anders Grånäs

Born 1966. President of Dalarnas Försäkringsbolag Elected: 2013. **Education:** Master of Science in Engineering (Engineering physics), Uppsala, MBA Stanford. **Other Board appointments:** Board member of Humlegården AB. **Previous experience:** Venture Capital investeringar, Investor AB, Industrifonden and ATP (Danmark).

Karin Lindblad

Born 1957. Head of Capital Sales, Lindorff (from 15 April 2015: President of Swedish Insurance Brokers Association). Elected: 2014. **Education:** Bachelor of Arts in Legal Science. **Previous experience:** Various executive positions at Gota Bank, Skandia and SEB.

Ulrica Messing

Born 1968. President. Elected: 2007. **Education:** Social Sciences upper-secondary school programme. **Other Board appointments:** Chairman of Astrid Lindgren's World, Vice Chairman of Wallenstam AB, Board member of Bergvik Skog, ACR and Porthouse Interior AB. **Previous experience:** Member of Parliament 1991–2007, Cabinet minister 1996–2006.

Henrik Perlmutter

Born 1950. Master of Science in Engineering, MBA. Elected: 2013. **Education:** KTH Royal Institute of Technology, INSEAD. **Other Board appointments:** Chairman of Fjord Advisors AB, Board member of Exini Diagnostics AB, CAG Sweden AB, MCLP Sweden AB, MA Sweden AB and Managent AB. **Previous experience:** Chairman of Ponsus Pharma AB, Länsförsäkringar Liv's Policyholders' Association, Board member of Biolin Scientific AB.

Karin Starrin

Born 1947. Former Director General and County Governor. Elected: 2013. **Education:** Master of Science in Business and Economics. **Other Board appointments:** Chairman of Halmstad University, Länsförsäkringar Halland, Board member of Hallands Akademi and Swedish Gambling Authority. **Previous experience:** Head of government agency, County Governor, member of parliament, Chairman of Municipal Executive Board.

Employee representatives

Gunnar Wetterberg

Born 1953. Historian, author. Elected: 2004. **Education:** Bachelor of Arts, honorary Doctor of Philosophy. **Other Board appointments:** The Knowledge Foundation, Sveriges Radio, Ackum & Wetterberg AB. **Previous experience:** Diplomat, Director at Ministry of Finance, director of Association of Local Authorities, Head of Social Policy at Swedish Confederation of Professional Associations (SACO).

Marie-Louise Zetterström

Born 1959. President of Patient Insurance LÖF. Elected: 2013. **Education:** Law, specialising in insurance law. **Other Board appointments:** Personförsäkringsföreningen (PFF). **Previous experience:** President of Förenade Liv, several Board appointments at insurance companies, both as a Board member and Chairman.

Christer Ekehov

Born 1953. Life-assurance lawyer. Employee representative. Elected: 1995. **Education:** Bachelor of Arts in Legal Science and Master of Science in Business and Economics. **Other Board appointments:** Board member, employee representative for Länsförsäkringar Fondliv Försäkringsaktiebolag and SACO Association (Swedish Confederation of Professional Associations) at Länsförsäkringar AB, deputy Board member of Länsförsäkringar AB.

Deputy:
Bitte Franzén-Molander.

Thomas Norrman

Born 1964. Senior Project Manager and certified operations architect. Employee representative. Elected: 2013. **Education:** Technical Officer in Swedish Air Force, systems development at KTH Royal Institute of Technology, ITIL certified, project management, certified operations architect. **Other Board appointments:** Fondliv, Länsförsäkringar Fondförvaltning

Deputy:
Lars Dahl.

Auditors

Elected by the Annual General Meeting:
Mårten Asplund
Authorised Public Accountant, KPMG
Auditor of the company since 2010.

Deputy:
Anders Linér
Authorised Public Accountant, KPMG
Auditor of the company since 2012.

Executive management

Jörgen Svensson

Born 1959.
President.
Previous experience: President of Länsförsäkringar Blekinge. Board member of Länsförsäkringar Liv AB and Wasa Run Off AB.
Various executive positions at Skandia and If.

Jakob Carlsson

Born 1967.
CFO.
Employed since 2007.
Previous experience: Head controller at SPP and Handelsbanken Liv, Group controller at Alecta.

Roger Lidberg

Born 1960.
Business Manager.
Employed since 1995.
Previous experience: Regional manager of Länsförsäkringar Stockholm, regional manager of Wasa försäkring, District Sales Manager at Skandia.
Board appointments: Länsförsäkringar Fondliv Försäkringsaktiebolag (publ) and VI SI System AB.

Helen Hallåker

Born 1960.
Head of Legal Affairs.
Employed since 2010.
Previous experience: Law Clerk at the Financial Supervisory Authority, life assurance legal adviser at Handelsbanken Liv, company lawyer at AMF Pension, rules and regulations consultant at KPMG.

Elizabeth Äng

Born 1963.
Corporate Senior Actuary until December 2014.
Head of Actuary department from January 2015.
Employed since 2012.
Previous experience: CFO at Swedbank Försäkring, Corporate Senior Actuary and Risk Control Manager at Skandia.

Erling Andersson

Born 1955.
Corporate Senior Actuary from January 2015.
Employed since 2001.
Previous experience: Corporate Senior Actuary Länsförsäkringar Liv 2001–2012, Actuary Skandia Liv.

Definitions

Capital base
Total equity plus untaxed reserves according to the balance sheet.

Collective consolidation capital
The market value of total net assets less the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the insurance policies that carry bonus rights.

Collective consolidation ratio
The ratio between the market value of total net assets and the company's total commitments to policyholders (guaranteed commitments and preliminarily distributed bonus) for the insurance policies that carry bonus rights.

Direct yield
Calculated as the total of rental income from properties, interest income, interest expense, dividends on shares and participations, administration costs for asset management and operating expenses for properties in relation to the average value of the investment assets during the year.

Management cost ratio
Operating expenses according to the income statement and claims adjustment costs according to Note 6 as a percentage of average managed assets.

Required solvency margin
The Swedish Insurance Business Act's requirements of the lowest permitted level of the capital base for a life-assurance company, which mainly comprise 4% of the technical provisions in addition to 3 per mil of the positive risk totals (mortality risks).

Solvency capital
Equity, untaxed reserves (including deferred tax), as well as surplus values on assets.

Solvency rate
The capital base in relation to required solvency margin (the solvency rate must be at least 1.)

Solvency ratio
The market value of the company's total net assets in relation to guaranteed commitments to policyholders (technical provisions according to the balance sheet).

Total return
Total return on assets in traditional management prepared in accordance with Insurance Sweden's recommendation for annual reporting of total return. The total return table is found in the Board of Directors' Report. Other assets and administration costs are not included in the calculation of the total return.

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